

FINANCIAL TIMES

Central Siberia

Reforms, what reforms?

Chrystia Freeland, Page 2

Banking dynasties

The fall of the great powers

Book review, Page 8

Water transportation

Giant PVC bags prove their worth

Technology, Page 15

Germany

Kohl's struggle to stop Bonn boiling over

Peter Norman, Page 9

World Business Newspaper <http://www.FT.com>

THURSDAY AUGUST 28 1997

Olivetti presses Bell over France Telecom alliance

Italian information technology group Olivetti is trying to force its US telecoms partner Bell Atlantic into a decision on broadening their alliance to include France Telecom. The issue comes to a head on Monday, with a shareholder meeting of Olivetti's Infostarada business to approve a capital increase for the fixed-line telecom subsidiary of up to £170m (\$362m). Page 11

Bic claims tactical victory: French group Bic said it had won a victory in its battle to buy US fountain pen manufacturer Sheaffer, when a New York appeal court temporarily halted a rival bid from Sheaffer's management. Page 11

China sets party congress date: China's Communist party said it would begin its 15th party congress on September 12. The congress will set policy and elect the politicians who will lead China into the 21st century. Page 5

Fresh setback for Oerlikon: Swiss engineering conglomerate Oerlikon-Bührle suffered its second setback in a week when it announced an unexpected first-half net loss of \$19.9m (\$12.7m) because of an extraordinary charge on its US defence activities. Page 11

Tories criticise Princess Diana: The UK's opposition Conservative party criticised Diana, Princess of Wales, after she appeared to attack the former administration led by John Major. French newspaper Le Monde quoted her as calling his government "hopeless" over its failure to ban landmines. Page 10

Fidelity moves on Magellan: Fidelity Investments announced it was closing its Magellan fund - the world's largest open-ended investment fund with assets of \$61.7bn - to new investors. Page 11

Toyota warns on Thai sales: Japan's leading carmaker Toyota warned that sales in Thailand could fall by up to 30 per cent this year because of the economic turmoil caused by the devaluation of the baht. Page 10

Matsushita profits up: Japan's leading consumer electronics maker Matsushita recorded a strong rise in pre-tax profits after a thorough rationalisation. Page 11

East Europe expects car boom: New car sales in eastern Europe are expected to rise strongly over the next five years, as real incomes grow and import tariffs decline. Page 4

Surinam coalition falls: A row over government spending and the sacking of finance minister Motilal Mungra have led to the break up of Surinam's coalition government. Page 3

Egypt loosens grain import ban: Egypt eased its ban on imports of genetically engineered grain after intense pressure from exporters. Page 4

Zurich to fine polluting aircraft: Zurich airport has become the first in the world to levy extra charges on aircraft which pollute the atmosphere. Page 2

Daewoo to invest \$1bn in Algeria: South Korea's Daewoo group promised Algeria's army-backed government that it would invest up to \$1bn in the country. Page 4

Jurassic Paint: Dinosaurs may reveal their true colours after Australian scientists discovered pigment in fish fossils. They hope similar pigments may be in dinosaur fossils - allowing them to pinpoint the colour of the giant reptiles. Page 4

Hong Kong property demand still strong



Auctioneers at the first Hong Kong government land sale since the territory returned to China found strong demand for luxury residential property and continued confidence in real estate. One site at Repulse Bay on Hong Kong Island fetched HK\$5.55m (US\$717m). Page 5

FT.com: the FT web site provides online news, comment and analysis at <http://www.FT.com>

STOCK MARKET INDICES

	NY GOLD
New York: Dow Jones Ind Av	7,734.14 (-48.09)
MASDAQ Composite	1,565.53 (-4.77)
Groups and Far East	
CA40	2,871.70 (+2.44)
DAX	3,985.86 (+36.33)
FTSE 100	4,906.9 (-20.6)
Nikkei	18,441.94 (-373.94)

US LUNCHTIME RATES

Federal Funds	5.5%
3-mth Treasury Bills Yld	5.25%
Long Bond	6.0%
Yield	6.831%

OTHER RATES

US 3-mth Interbank	7.74% (same)
US 10 yr Gvt	10.1% (10.1%)
France 10 yr OAT	9.51% (9.19)
Germany 10 yr Bund	10.21% (10.19)
Japan 10 yr JGB	10.768% (10.33)

NORTH SEA OIL (Argus)

Brent Dated	\$18.07 (17.89)
DM	2,917.0 (2,903.6)

Restructuring aimed at competing with merged US aircraft makers

Paris set to lift Airbus block

By Michael Skapinker
In London and David Owen
in Paris

France is preparing to lift its objections to restructuring of the European aircraft industry, the European aircraft consortium, according to industry observers.

Plans to turn it into a profit-making company capable of competing with Boeing of the US have been hampered by France's reluctance to allow Airbus to take control of French aircraft factories.

Industry observers say, however, that the socialist government in Paris is now ready to see Airbus take responsibility for the factories. Lionel Jospin, the French prime minister, is expected to tell Helmut Kohl, the German chancellor, during

their meeting today that France is ready to give full support to restructuring the European aerospace industry.

German and UK industry executives yesterday welcomed indications that the French position had changed.

British Aerospace said: "We see some progress that moves the restructuring of Airbus forward."

A report published yesterday in the French newspaper Le Monde said the French government regarded the impotence of BAe and Dasa over the future of Airbus as "legitimate" and believed that the European industry needed to focus on confronting the competitive challenge posed by Boeing, which earlier this month took over McDonnell

Douglas of the US to become the world's biggest aerospace and defence company.

Airbus - which is owned by Aerospatiale of France, Daimler-Benz Aerospace (Dasa) of Germany, BAe and CASA of Spain - is a *Groupe d'Intérêt Economique*, a French legal construct which does not publish accounts or make profits or losses in its own right.

The four partners agreed earlier this year to turn Airbus into a profit-making company, which would allow it to make decisions more quickly and improve service. The partners believe the restructuring of Airbus could form the basis for a united European aerospace and defence industry.

BAe and Dasa have argued

that it is essential for Airbus management in Toulouse to take control of all manufacturing facilities, but Aerospatiale has resisted the idea. The election of the Jospin government in June had thrown the consolidation of the European industry into further doubt.

The previous conservative French administration had planned to privatise Aerospatiale and merge it with Dassault Aviation, also of France, to strengthen France's role in negotiations about the future of the industry. But the new government abandoned plans to privatise Aerospatiale and Dasa, Dassault, head of Dassault, said he would not countenance a merger with a state-owned Aerospatiale.

Le Monde reports, however,

Microsoft licensing deal wins Egypt aid on piracy

By Mark Huband in Cairo
and Alan Cane in London

Microsoft, the US computer software group, intends to contract out production of Arabic versions of its programmes to Egyptian manufacturers if the country's government honours a new commitment to combat software piracy.

It is the first time the US group has attempted to strike such a deal and may set a precedent for fighting global software piracy, which has been a persistent problem for technology companies in emerging markets.

The Business Software Alliance, which represents the industry's interests, says pirated material accounts for 88 per cent of the software in use in Egypt - a loss to the industry there of \$18m in 1996, and \$51m in the Middle East as a whole.

After three months of negotiations with Microsoft, Ahmed Goweli, Egypt's trade minister, agreed to enforce copyright laws and act against the piracy.

Sharon Bailey, Microsoft's anti-piracy manager for Africa, the Middle East and Mediterranean regions, said the agreement to produce Arabic versions of its software would be with one company which would be responsible for production and distribution. She would not name the company because final contracts had not been signed.

She said that while the Egyptian deal was a "one-off", rather than a general strategy, the company was interested in working with governments in the region.

As part of the agreement, Microsoft, which already provides the Egyptian government with software for schools at reduced prices, will provide software for computer training courses which can be legally reproduced on 20 personal computers.

The BSA, along with the US Federal Bureau of Investigation, held training courses last

Continued on Page 10



Helmut Kohl (center), the German chancellor, helps Berlin mayor Eberhard Diepgen (right) lay a stone to mark the start of construction of the city's headquarters for industrial lobbying groups. His government is coming under increasing pressure. Simmering cauldron, Page 9 Reuters

Russia strengthens Chinese ties with \$100m arms deal

By Chrystia Freeland
in Moscow

Russia's burgeoning friendship with China was strengthened yesterday by the visit of a senior Chinese general who concluded a multi-million dollar arms deal with his Moscow hosts.

In recent months, the Kremlin, dismayed by its failure to be accepted as a full member of the western club of developed nations, has vigorously cultivated ties with the Middle East and Asia.

A growing relationship with China has been the centrepiece of Russia's new eastern emphasis. Jiang Zemin, China's president, visited Moscow in April. Boris Yeltsin, the Russian president, plans to travel to China this year.

"Relations between Russia and China are positive as never before," Viktor Chernomyrdin, the Russian prime minister, said during his meeting with Gen Liu Huaiqing.

Russian news agencies said that, during his visit to Russia, Gen Liu, a member of the powerful committee of the Chinese politburo, had signed a contract with Rosvodoruzhenie, Russia's recently revamped arms organisation, for the delivery of armaments worth more than \$100m.

The deal is part of the swiftly growing weapons trade between Moscow and Beijing. Russia has sold some \$1bn worth of weapons to China over the past year, accounting for about 80 per cent of its booming arms exports.

During their meeting yesterday, Mr Chernomyrdin and Gen Liu discussed further military co-operation, including deliveries of spare parts for Russian military aircraft already purchased by the Chinese and the transfer of Russian licences that would allow China to build the Sukhoi Su-27 fighter jet.

Gen Liu, whose visit to Russia is scheduled to last for 10

days, is expected to visit military factories across the country, travelling to the Ural capital of Yekaterinburg, the Siberian academic centre of Novosibirsk and the far eastern city of Khabarovsk.

Russia continues to place high value on its ties with the US and Europe, and attached great importance to its almost total inclusion in the summit meeting this summer of the Group of Seven industrialised nations. But the Kremlin is increasingly seeking ways to counterbalance the west.

Growing ties with Moscow offer the same enticement for China, whose president, Mr Jiang, told the Russian leadership during his spring visit that together the two countries could help prevent the emergence of a single "hegemonic" world power - a remark observers believed was aimed at the US. However, Russian-Chinese relations are troubled by continued friction along their border.

daye

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Royal Bank Development Capital

Institutional Equity underwritten by

Royal Bank Development Capital

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Paribas

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NEWS: EUROPE

Air transport groups condemn move □ Fees to be based on emission of air pollutants

Zurich to charge dirty aircraft more

By William Hall in Zurich

Zurich, Switzerland's number one airport, has become the first in the world to charge extra for aircraft which pollute the atmosphere, and Geneva airport is expected to follow shortly.

Zurich is introducing new landing fees linked to levels of engine emissions from September 1. Aircraft which meet certain standards will benefit by a 5 per cent reduction in landing charges, but excessively dirty aircraft face an increase of up to 40 per cent.

Swedes to hold eugenics inquiry

By Tim Burt in Stockholm

The Swedish government yesterday announced a public inquiry into allegations that up to 60,000 women were forcibly sterilised in a 40-year programme of "ethnic cleansing".

A special commission set up by the Ministry of Social Affairs will investigate claims that thousands of women with learning difficulties or from non-Nordic ethnic backgrounds underwent sterilisation against their will between 1955 and the mid-1970s.

Margot Wallstrom, Sweden's social affairs minister, is today expected to disclose details of the inquiry and deliver the government's initial response to suggestions that the ruling Social Democrats sanctioned the sterilisation policy during the party's previous administrations.

In Oslo, meanwhile, a Norwegian government spokesman yesterday disclosed that a state-funded research programme had been launched to clarify the extent of forced sterilisations in Norway.

Although the government has rebuffed claims that up to 40,000 women underwent forced sterilisation during experiments into "racial cleansing sciences", it admitted that about 2,000 men and women were sterilised against their will in the 40 years up to 1976. Most victims were said to have mental illnesses, but officials confirmed that members of the Tateri community - a poor itinerant group - were also sterilised.

The history of Norway's sterilisation policy is being examined by sociology researchers at the University of Trondheim, who are expected to deliver their conclusions shortly to Hill-Marta Solberg, the country's minister of health and social affairs.

The racial cleansing policies, first launched in 1935, were said to have targeted "inferior" racial types to encourage the proliferation of Aryan-dominated communities. Swedish government officials said that the inquiry would also deal with the question of financial compensation for men and women sterilised against their will.

● Swiss doctors sterilised mentally handicapped patients against their will under a law passed in 1928, a copy of which was requested by Adolf Hitler, a Swiss historian said. Reuters reports from Geneva Hans Ulrich Jost, a professor of history at the University of Lausanne, said on Tuesday that many people - nine out of 10 of them women - were affected by the campaign, in the canton of Vaud.

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Fees depend on size of aircraft but a typical jumbo jet pays around SF 3,500 (\$2,330). Jets which meet the standards will benefit from a SF 1,75 cut in landing charges, while the dirtiest aircraft will have to pay up to SF 1,400 extra.

Zurich's decision, which has the backing of the Swiss government, was condemned yesterday by the International Air Transport Association (Iata), which said that it set a "dangerous precedent". It threatens worldwide efforts to standardise emission limits and ignores

concerns raised by Iata and other organisations.

Iata said there was no clear evidence that the air quality surrounding Switzerland's two biggest airports was suffering unduly, and the criteria which the Swiss proposed to apply were "scientifically unsound".

The Swiss want to introduce the new landing charges in order to speed up the introduction of aircraft engines with low pollutant emission rates. However, the International Civil Aviation Organisation (IcaO) specifies that countries

should refrain from imposing restrictions and other penalties that would encumber aircraft that meet recommended international standards and practices.

There will be five categories of landing fees, depending on engine emission, and Zurich estimates that just under half the aircraft at the airport will benefit from a reduction in landing charges. Only 2 per cent of the aircraft will face the maximum surcharge.

The only other country to attempt similar action was Sweden, which tried to levy charges

related to carbon dioxide emission on flights within the country. The idea was dropped because it infringed European Union rules. However, it is understood that Sweden is reassessing the situation and might introduce its own version of Switzerland's emission-related landing charges next year.

Zurich stressed that it would not gain any extra income from the new charges. However, it is understood that Swissair, which accounts for nearly half of Zurich's traffic, will be the main beneficiary of the new charges.

Norway's coming oil cash wave

Robert Corzine on a strategy for turning petroleum into pensions



Source: OPEC, Statistics Norway, Ministry of Finance

But with an economy that is already close to overheating, officials fear that a sharp rise in public spending based on higher oil revenues could wreck a carefully orchestrated recovery of the non-oil economy.

Although demands for higher public spending are prominent in the present general election campaign, most politicians accept that a buffer must be maintained between the "offshore" and "mainland" economies, which respectively account for 15 per cent and 85 per cent of gross domestic product.

"The 15 per cent that represents oil is not enough to save the economy from a serious setback," said Tom Therkildsen, state secretary at the finance ministry. "But it is enough to destroy."

The buffer between the two is the state petroleum fund, which is intended to absorb surplus oil revenues and invest them abroad against the day when Norway's oil and gas production wanes. It is seen as one of the main supports in the next century for Norway's ambitious pension and social welfare programmes.

Although details of how much money will be allocated to individual markets around the world will not be published until October, well after the general election on September 15, government thinking on the main issues appears well advanced.

But a decision earlier this year to shift as much as half the fund from low-risk, high-liquidity bonds and bills to equities has caused considerable debate as to how the new fund should be structured and what role it will play in international equity markets.

But even the normally cautious official forecasts show government revenues from the petroleum sector rising strongly in the next few years, from around NOK 70bn in 1996 to nearly NOK 127bn in 2001.

The pace at which the

fund grows will depend on an annual decision by parliament to allocate oil revenues between the fund and the national budget. This year, about three-quarters of the estimated NOK 79bn of the government's oil-related cash flow will go to the fund, because of the buoyancy of the non-oil economy and restraints on public spending.

Assuming that the non-oil economy remains relatively robust, the fund is likely to grow quickly over the next decade as Norway's oil production rises to a new plateau of around 3.7m barrels

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Trapped by the Kremlin's bold market reforms

Chrystia Freeland visits Turukhansk, Siberia, whose inhabitants call themselves the 'prisoners of the north'

This far north, the Kremlin's promises of economic revival, so credible on the boasting streets of Moscow, seem like a bad joke.

"Reforms?" thundered Ivan Khokhlov, head of the regional administration of Turukhansk, a remote area in central Siberia. "We've reformed into a country of criminals. If you're honest in this country, you are poor and robbed. If you are rich, you are a thief and in power!"

Such diatribes are commonplace in towns such as Turukhansk, a desolate settlement on the banks of the mighty Yenisei River in Krasnoyarsk Province.

Lured to the far north under Communism by high wages and the dream of a comfortable retirement in more temperate climates, the inhabitants of Turukhansk and hundreds of similar towns have been trapped by Russia's bold market reforms, which wiped out Soviet-era savings and undermined the planned economies of many northern regions.

Today, they call themselves "prisoners of the north", and many of them will never leave.

In contrast to residents of Moscow and some other big Russian cities, the people of the far north have not yet benefited from the transformation which liberated the country after seven decades of Communism.

Living in hostile regions chilled by permafrost and nine-month winters, the citizens of the north are the human detritus of central planning.

Like the huge, now often silent, industrial behemoths which dot the Russian land-

scape, many northern towns are uneconomical in a market economy.

But unlike factories, human beings cannot simply be closed down and, for now, the Kremlin lacks the money to resettle all the hundreds of thousands of prisoners of the north in gentler provinces.

"Every day, I have women coming to me, sobbing, saying 'Please give us money, we cannot feed our children,'" said Mr Khokhlov, whose mop of white hair and wild blue eyes lend him the look of an Old Testament prophet. "We

are barely surviving."

The desperation is apparent on the gloomy streets of Turukhansk. Ramshackle wooden cottages and crumpled Soviet apartment blocks huddle tightly around dirt roads.

Cars are rare in this town, which is connected with the rest of the world only by the river - for the few months when it is not frozen - and by rickety Aeroflot aircraft. Instead, people walk, or ride in ancient motorcycles with wobbling sidecars.

The harsh Arctic climate adds to the misery. In towns in central Russia that depend on inefficient factories, local people starve off absolute poverty by living off the produce of garden plots.

But gardens are a less certain salvation in the far

finances, the money is slow in coming, so Turukhansk has reverted to a non-cash economy.

Shops, the local government, even the small airport, all collect payment for goods, services and even taxes through an elaborate system of written accounts.

"We've almost forgotten what real money looks like," said Yevgeny Kozhevnikov, deputy head of the regional administration.

Rendered obsolete by Russia's market transition, many people of the far north look back with nostalgia to the Communist past, when their settlements were so painfully created.

Margarita Sukhova, a pensioner in her mid-70s, was sent by Communist planners to Igarka, a town north of Turukhansk, in the

early 1950s just after graduating from a meteorology institute in St Petersburg.

"It was mostly a place of imprisonment and exile, so we all worked alongside one another, the free and the imprisoned," Ms Sukhova said of her youth, when most of Igarka's inhabitants were sentenced to live in this inhospitable place by Stalin. "We all lived badly together, so we were friends.

The town lives primarily on hand-outs from Moscow and Krasnoyarsk, the regional capital.

But because of the parlous state of Russia's public

sector, the money is slow in coming, so Turukhansk has reverted to a non-cash economy.

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France firm on interest rates

By Andrew Jack in Paris

No "automatic" link existed between German and French interest rates, despite the close connection between the two countries' economic policies, Jean-Claude Trichet, governor of the Bank of France, said yesterday.

"It was mostly a place of imprisonment and exile, so we all worked alongside one another, the free and the imprisoned," Ms Sukhova said of her youth, when most of Igarka's inhabitants were sentenced to live in this inhospitable place by Stalin. "We all lived badly together, so we were friends.

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EUROPEAN NEWS DIGEST

Italy tries to placate Greece

Italy sought yesterday to defuse a row with Greece and the Greek Cypriots by saying it recognised only the Cyprus government and not the breakaway Turkish Cypriot north of the island.

The foreign ministry added in a statement that accession talks between the European Union and Cyprus would help overcome the division of the Mediterranean island.

Lamberto Dini, Italy's foreign minister, sparked a storm on Tuesday when he suggested that EU membership talks should involve both the Cyprus government, made up of Greek Cypriots, and the Turkish Cypriot north. "It has to be recognised that there are two republics in Cyprus, two entities, two governments," Mr Dini said after talks in Rome with Turkey's foreign minister, Ismail Cem. "If the EU does not recognise this basic fact in conducting the negotiations for membership, then you run into problems."

Turkey and the Turkish Cypriots have threatened to integrate the breakaway north with Turkey if the EU and the Cyprus government persist with the accession talks without making provision for Turkish membership of the EU.

Agencies, Rome

■ POLISH POLITICS

Coalition agrees grain funding

Poland's governing coalition has patched up its differences over budget funding for purchases of grain for this year's harvest, enabling the Polish Peasant party (PSL) to withdraw support for a motion of no-confidence in Włodzimierz Cimoszewicz, the prime minister.

The motion, to be voted on later this week, threatened to break up the coalition between the PSL and the reformed communists' Democratic Left Alliance (SLD) before parliamentary elections on September 21.

Agreement between the two parties on a government plan to purchase an extra 300,000 tonnes of grain from farmers has resolved the row. The agreement means that the SLD has left open the prospect of a post-election coalition with the PSL. However, Waldemar Pawlak, the PSL leader, is thought to want the premiership as the price of continuing support for the reformed communists after the elections.

Christopher Bobinski, Warsaw

■ CONTRACT KILLING

Russian publisher shot

A prominent Russian publisher was killed on the stairs of his house in Moscow in an apparent fight over lucrative contracts to print schoolbooks, police said yesterday.

Alexander Krutik, 29, was shot by unknown assassins as he walked out of the lift on Tuesday evening, accompanied by his bodyguard, police said.

The murdered publisher headed the Drofa publishing house, which prints about 80 per cent of all schoolbooks and textbooks in Russia. His killing was believed to be linked to expensive contracts to print schoolbooks, which have been in short supply since the collapse of the Soviet education system.

The killing was the second attack targeting Drofa leaders. The publishing house's deputy director was shot in November 1996. Last May, an unknown assailant shot and wounded the education chief in Moscow, Lyubov Kozina, and Russian newspapers have speculated that the attack was connected to the distribution of state education funds and contracts.

Strike may hit Brazil port sale

By Jonathan Wheatley
in São Paulo

Workers at Santos, Latin America's biggest seaport, are on the verge of a strike that could bring the port to a standstill less than a month before the planned auction of its main container terminal to private operators.

The Santos workers, whose pay and working arrangements have contributed to the Brazilian port being among the most expensive in the world, met this evening to vote on a union proposal for a strike over job losses and changes to working conditions.

Union leaders have been angered by the port authority's decision to fire 2,300 dock workers on fixed contracts on September 1 and force them to register as freelance workers with a recently established federal agency.

The agency, known as OGMO, is responsible for hiring on a daily basis. Daily hiring of dock workers is among the most contentious issues in the industry.

The move is part of a drive to modernise Santos in an effort to cut Brazil's high business operating costs.

Codesp, the São Paulo state port authority, began reducing tariffs with a 34 per cent cut last September and a pledge to make additional reductions of 7 per cent every six months. But it says further cuts depend on reducing labour costs.

South-east electricity giants show how to generate political power

When a member of Georgia's political elite fancies a spot of bird-watching or fishing in an unspoilt stretch of water, the most likely choice will be a reservoir nestled beneath a giant, coal-fired electricity plant.

The popularity of Lake Juliette, a scenic wildlife habitat whose main purpose is to provide water for a 3,300MW furnace, is one reason why the debate over the \$200bn-per-year US power industry feels different in this south-eastern state.

Electricity providers like Georgia Power and Florida Power and Light, the main owners of the huge Scherer facility, are quite literally powers in the land, with political muscle and a benign public image that many utilities would envy.

In states like California and Massachusetts, power companies face well organised opposition from liberal lobby groups who accuse them of recklessly endangering the environment and over-charging customers.

Those states have led the way in the sector's deregulation by calling for freedom of choice for at least some retail customers from next year.

But in the south-east, home of some of the nation's largest electricity providers, the picture looks different. There is little immediate threat to the regulatory regime under which these utilities have flourished.

Their influence is also being felt in the national debate, helping to reduce the chances of a federally mandated timetable for free com-

petition and to increase the prospects that utilities will be allowed to recover their stranded costs - past investments rendered uneconomic by deregulation.

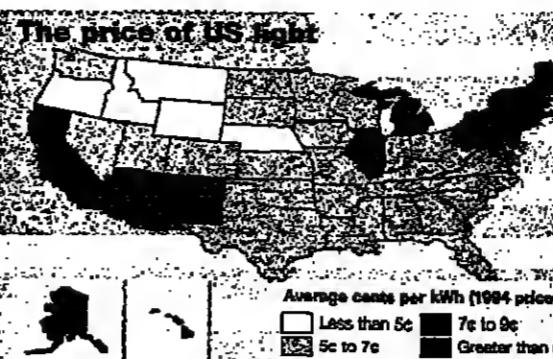
On the latter question, there is stiff opposition from the fast-growing gas industry based in Houston, Texas, which backs a proposal from the Republican congressman Tom DeLay for deregulating the electricity sector with no recovery of stranded costs.

But the fact that many senior US politicians - including Newt Gingrich, the House speaker, and Trent Lott, the Senate majority leader - hail from the south-east (Georgia and Mississippi respectively) provides an added assurance that the grand old utilities can at least make their case in Washington.

In Alabama, the law changed in the state utility's favour last year - by entrenching the local regulator's right to make any industrial user who leaves the system pay the extraordinary costs created by his departure.

Alabama Power, a leading force in the economic development consortium which has attracted Mercedes and other foreign manufacturers to the state, argued successfully that the abrupt departure of an industrial user could force the utility to impose extra burdens on householders.

The south-eastern power companies' political brawn could mean that they are well-placed to take advantage of competitive conditions in other regions, sectors and even continents -



The price of US power

Average cents per kWh (1994 prices)

Less than 8¢ 8¢ to 7¢ 7¢ to 6¢ Greater than 6¢

Source: US Energy Information Agency

In the House

Rep. Dan Schaefer's bill would:

• Give states six months from enactment to formulate plans to implement retail competition by end-2000

• Amend the states' discretion whether to allow utilities to recover their "stranded" costs (past investments rendered uneconomic by deregulation)

• Allow states to establish a minimum percentage of their energy from renewable sources using a credit trading system (a purchasable from other generators)

Rep. Edward Markey's bill would:

• Not establish a date by which states must restructure but offer incentives for those that do

• Require the establishment of funds for public interest programs, such as renewable energy, conservation and low-income assistance programmes

Source: Potomac Communications

In the Senate

Sen. Dale Bumpers' bill would:

• Require retail competition by end-2003

• Allow states to deal with their own recovery issues on their own, but allow them to approach Federal Energy Regulatory Commission if their states do not allow it

• Establish renewable energy system

Sen. Craig Thomas' bill would:

• Give states legal authority to decide on competition, standards and renewable energy

• Report progress on enactment and public 18 months after

Source: Potomac Communications

while remaining firmly entrenched at home.

Duke Power of North Carolina has made one of the most dramatic expansion moves by announcing a \$7.7bn alliance with the gas company Panenergy.

Southern, the largest US electricity producer and parent of both Georgia Power and Alabama Power, hopes by 2003 to be generating 30 per cent of its revenue by non-traditional sources -

"Where the policy-makers decide they want competition, and we are in a position to participate, we have been very active," he says.

Georgia Power's bills averaged 6.15 cents per kilowatt-hour last year, while Alabama Power charged 5.4 cents, against the national average of 7.15 cents. "Our customers don't appear to be unhappy with these prices," says Todd Terrell, a Southern representative.

In fact, Southern does face a legal challenge from a group called the Campaign for Prosperous Georgia, which argues that regulators have given the company too much leeway to invest abroad without considering local consumer's needs.

But CGP hardly compares in numbers or political clout with the anti-utilities campaign of Boston, Houston or

With confidence that goes with being one of Atlanta's most influential figures - he helped bring the Olympic Games to the city and promote its boom-town image - Mr Dahlberg makes the unconventional prediction that the region will need to build more power generation capacity within a few years.

"We still have an obligation to serve our customers. People say that in future that may not be so, but we currently have that obligation, and we take it seriously," he adds in a comment whose political subtext is clear: if a system for serving electricity users ain't broke, don't rush to fix it.

Bruce Clark

Espy to face gifts charges

A US federal grand jury yesterday charged Mike Espy, the former agriculture secretary, with 39 counts of illegally accepting gifts and favours from large food producers and trying to cover up his activities, AP reports from Washington.

The grand jury accused Mr Espy of accepting more than \$35,000 in gifts, trips and favours from large agribusinesses that dealt with the US Department of Agriculture when he headed it in 1993-94.

Mr Espy was also charged with witness tampering and lying to investigators about his receipt of gifts, including tickets to a basketball game.

Among other things, he was charged with ordering a departmental employee to alter a document that had been sought by the department's inspector-general. That charge alone carries a maximum 10-year prison term upon conviction.

Mr Espy resigned in December 1994, three months after an independent counsel began investigations. A former Mississippi congressman, Mr Espy has denied criminal wrongdoing. The indictment also said he lied to the White House when it investigated the allegations as part of an ethics review and failed to disclose the gifts on his government financial disclosure report.

If convicted of all 39 charges and sentenced consecutively he could face a jail term of more than 100 years.

AMERICAS NEWS DIGEST

Coalition falls in Surinam

A row over government spending and the sacking of the finance minister led to the break-up of Surinam's year-old coalition government.

Jules Wijdenbosch, president of the former Dutch colony in the north of South America, is negotiating with several small political parties to join his National Democratic party after two factions in the coalition defected.

The defections have left Mr Wijdenbosch controlling 22 of the 51 seats in the national assembly.

Motilal Mungra, the finance minister, was fired this week after complaining that the president was overspending, and was doing so without the approval of members of the coalition. Mr Mungra disapproved of Mr Wijdenbosch's purchase of an armoured car and a presidential yacht.

Caroline James, Kingston

CHRISTIAN PROTEST

New Disney boycott call

The head of a conservative Christian group is asking millions of US radio listeners to join a boycott of Disney products.

James Dobson, president of Focus on the Family, said this week that he would ask the 3m-strong people who follow his ministry's radio programmes to complain about Disney products the group finds offensive.

The Southern Baptist Convention started the boycott in June to express its objection to Disney policies, including health benefits for same-sex partners of its employees. It also objected to films such as *Pulp Fiction* produced by its subsidiaries, and to its television show *Ellen*, which features a lesbian character.

The boycott "won't bankrupt Disney, given their enormous resources, and we may not even damage them financially", Mr Dobson said. "But we can certainly let our constituency know that Disney is no longer friendly to the family."

Disney said it respected the group's right to protest but also felt the attacks on us were "unwarranted, unfair and inappropriate."

AP, Colorado Springs

BIOLOGICAL WARFARE

Cuba crop pest claim fails

Cuba has apparently failed in its bid to convince members of the United Nations biological weapons convention that it has been the victim of "biological aggression" by the US.

Ian Souter, the UK's disarmament ambassador in Geneva, who chaired a specially convened "consultative" meeting of convention members, said yesterday that on the basis of the evidence presented to the meeting it had not been possible to draw a "direct causal link" between the flight of a US narcotics crop eradication aircraft over Cuba last October and the appearance in Cuba of the *tritops palmi* crop-eating pest.

He plans to produce a final report on the issue by the end of December after governments have had the chance to make written comments on the evidence. Cuba has alleged that the US deliberately released the pest, a charge the US called "ridiculous". The *tritops palmi*, which was already present in the Caribbean, can also be spread by wind.

Frances Williams, Geneva

MEXICO CONTRACT

Subway bidding suspended

Mexico's Comptroller General's Office (Secodam) has suspended the bidding for an estimated \$40m contract to purchase and maintain 28 subway trains, saying none of the bids fulfilled technical requirements.

Two international consortia were bidding for the concession when the Spain's Construcciones y Auxiliar de Ferrocarriles (CAF) complained about the procedure. The Secodam did not say if or when it might reopen the tender.

"The evaluation procedure of the offers has been resolved and declared null," Secodam said in a statement. "None of the technical offers presented compiled completely with requirements," it added.

The project was to provide trains for a planned "B" line of Mexico City's subway system. Reuters, Mexico City

Ban on action for minorities upheld

By Mark Suzman
in Washington

A controversial California law that would impose a state-wide ban on affirmative action programmes for women and minorities is expected to take effect today after a federal appeals court rejected a motion by civil rights groups to delay its implementation.

The 9th US Circuit Court in San Francisco dismissed an appeal by opponents of Proposition 209 on Tuesday night to stop it from taking effect until the Supreme Court had decided whether or not to review the case.

Unless the Supreme Court now decides to grant an emergency stay pending its own examination of the issue, or the appeals court chooses to delay enforcement of its decision, the measure will become law today.

The announcement was welcomed by Pete Wilson, state governor and a prominent backer of the measure, who said the decision "takes us another step closer to eliminating unfair preferences in government and public school admissions".

The American Civil Liberties Union, which has been leading the challenge, said it was now preparing an Supreme Court appeal to be submitted "as soon as possible". Dan Lungren, California's attorney-general, said the state would strongly oppose any such motion.

Proposition 209 was narrowly approved by California voters last year, but implementation has been delayed by a series of court battles. Last November, a federal judge concluded there was a "strong probability" that the law would prove unconstitutional, and blocked it from taking effect. However, that judgment was overturned on appeal in April, prompting the latest failed attempt by the ACLU to secure another review of the decision.

If implementation goes ahead as planned, it will give further impetus to a growing national backlash against affirmative action programmes which have been used to redress ethnic and sex inequalities in fields ranging from education to government employment over the past 30 years.

Opponents say the measure will reverse recent progress made in ending racial discrimination. At the University of California, which recently ended affirmative action in its admissions policies, enrolment by blacks and other minorities has plummeted.

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Successor to de Klerk may rejoin government

By Roger Matthews
in Johannesburg

South Africa's opposition National party may decide to rejoin the government of national unity following the election of a successor to F.W. de Klerk, the former president, who is resigning as party leader.

Hernus Kriel, premier of the Western Cape province and favourite to win the leadership, is believed to favour reversing Mr de Klerk's decision last year to leave the coalition. A spokesman for Mr Kriel said yesterday that if elected leader on September 9 he would "probably" exercise the National party's right to rejoin the government.

Mr de Klerk served as deputy president until he walked out of the government in May last year, taking with him five other National party ministers. He said his decision had been provoked by the waning influence of the party within the cabinet, but admitted yesterday its ability to influence policy was even less in opposition.

Support for a return to government came yesterday from Ptk Botha, South Africa's long-serving foreign minister until the 1994 general election. He said he would consider "making himself available as leader" if the party agreed that it should again form part of the government, along with the African National Congress and the mainly-Zulu Inkatha Freedom party headed by Chief Mangosuthu Buthelezi.

Mr Botha said the party would also have to accept fundamental changes, and begin co-operating fully with the Truth and Reconciliation Commission headed by Archbishop Desmond Tutu.

Mr de Klerk has apologised for apartheid but clashed with Archbishop Tutu after denying any knowledge of gross human rights abuses carried out by agents of the former government.

Roelf Meyer, a candidate for the National party leadership until he quit earlier this year, said he believed there was little chance of internal reform following the departure of Mr de Klerk. Mr Meyer resigned after Mr de Klerk refused to endorse his efforts to widen the support base and draw in other parties.

"Even so, if there was anyone who could attract support from across the political spectrum it was de Klerk," said Mr Meyer. "Without him the National Party has no ability to do so. It is much more likely that it will be reduced to a regional or provincial party."

Mr Meyer, who plans to launch a new political movement next month in co-operation with former ANC executive member Bantu Holomisa, added that most "progressives" had already left the Nationalists to join his new organisation.

Although President Nelson Mandela would be bound to welcome the National party back into government if it would force him to sack several ANC ministers to make portfolios available. Under the terms of the agreement reached before the 1994 election, any party which achieved 10 per cent of the vote had the automatic right to cabinet posts.

Marthinus van Schalkwyk, the National party's executive director, was the only confirmed candidate for the leadership last night, and senior party members said the contest was likely to be between him and Mr Kriel.

CLIMATE CONFERENCE: Experts fear floods and drought across the globe

El Niño plays havoc with world's weather

By Frances Williams
in Geneva

The disastrous recent flooding in central Europe and the worsening drought in North Korea and central China may both be due to what scientists are calling "the climate event of the century" - the early and forceful appearance of the El Niño weather system that periodically disrupts the world's climate.

Climate experts attending a three-day international conference on climate research that ends today say the El Niño phenomenon that began in early summer could surpass that of 1982-83 which claimed nearly 2,000 lives and damaged crops and property worth \$13bn.

El Niño or "the boy", more specifically the Christ Child, is the name given to an irregular appearance of warm surface water in the Pacific off the western coast of South America that affects global wind and rainfall patterns.

In July the sea surface temperature in the eastern tropical Pacific was 4.5 degrees above normal, breaking all previous records, and the climate effects are already being felt around the world.

"This event has already

Global warming

Temperature rise forecasts (°C)

Year	High (°C)	Medium (°C)	Low (°C)
1880	0.0	0.0	0.0
1900	0.2	0.1	0.0
1920	0.4	0.2	0.0
1940	0.6	0.3	0.0
1960	0.8	0.4	0.0
1980	1.0	0.5	0.0
2000	1.2	0.6	0.0
2100	5.0	2.5	0.0

Source: IPCC

The El Niño effect is the climate event of the century say scientists. Among its other effects, they predict an especially turbulent stormy winter in California, above-normal rainfall in the south of the US more generally and worsening drought in Australia, Indonesia, the Philippines, southern Africa and northern Brazil.

reached historic proportions," said Mr Leetmaa, director of the Washington-based Climate Prediction Centre of the US National Weather Service, said yesterday. El Niño's peak is likely to be reached late this year or early in 1998, before weather conditions return to normal next summer.

Among its other effects,



Drought in Australia: El Niño is expected to worsen the problem and hit farm production worldwide

scientists are predicting an especially turbulent stormy winter in California, above-normal rainfall in the south of the US more generally and worsening drought in

Australia, Indonesia, the Philippines, southern Africa and northern Brazil.

Although the drought in

North Korea had begun

before El Niño made its

appearance, it had been made more severe by the interaction of El Niño and other tropical weather systems, Mr Leetmaa said.

And while El Niño effects are normally weak in Europe, Mr Leetmaa said the recent flooding was due to weather patterns that bore a strong resemblance to those that appeared over Europe during the 1982-83 El Niño effect.

Over the coming winter, by contrast, northern Europe is expected to have slightly less rainfall than usual while southern Europe is expected to have more.

The 1982-83 El Niño hit crop and commodity production worldwide, and output forecasts for this year are already being scaled back substantially. Increased risk of malaria in south America is another unwelcome consequence of El Niño, as mosquitoes quickly spread to warmer climates.

Though scientists have made huge strides in predicting the occurrence and climatic effects of El Niño, they still do not know what triggers its appearance or influences its strength. However, El Niño events appear to be increasing in frequency and dimension, raising suspicions that they may be related to global warming.

Scientists pressed to pin down climate threat

By Leyla Boufoun,
Environment Correspondent

Leading scientists are expected to respond today to pressure from politicians to clarify the threat of climate change to specific parts of the world.

Scientific uncertainty is the crux of an international dispute over what should be done to tackle what US President Bill Clinton has described as the world's most serious environmental problem.

More than 300 scientists are meeting in Geneva this week under the auspices of the World Climate Research

Programme (WCRP), a body co-ordinated by governments and the United Nations, to agree priorities for future research.

Roger Newson, head of climate modelling for the WCRP, said the meeting would "clarify and specify what action must be taken so we can... give better answers on man's effect on climate."

"There's a lot of pressure on us to do that," he added. Scientists fear that increasing emissions of gases including carbon dioxide from the burning of fossil fuels are causing damaging changes in temperature

and rainfall levels.

Developed countries have agreed to negotiate legally binding reductions in their emissions at an international conference in Kyoto, Japan, in December.

Preparations for the Kyoto conference are being undermined by critics who argue that not enough is yet known about the problem to warrant radical solutions.

These opponents include industries which are either big consumers or producers of fossil fuels and the US Congress.

Michael Grubb, a member of the Intergovernmental Panel on Climate Change

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The IPCC has estimated that temperatures could rise by 1 to 3.5 degrees centigrade over the next century if the world carries on emitting greenhouse gases at the current rate.

But Mr Newson said scientists agreed that one important priority was to improve knowledge of regional effects of climate change. Its consequences could range from increased drought to more frequent flooding.

"We need to know whether it is going to be six degrees warmer in Britain and two degrees cooler in Iceland," he said.

NEWS: WORLD TRADE

Daewoo to invest \$1bn in Algeria

By Routh Khaled in London

South Korea's Daewoo group yesterday signed a memorandum of understanding with Algeria's army-backed government promising to inject the first sizeable foreign investments into the country's battered industrial sector.

Algerian officials said yesterday that the Daewoo delegation visiting Algiers this week, including chairman Kim Woo-choong, would invest up to \$1bn in sectors ranging from industrial vehicle production to hotels.

Daewoo's move will be the first significant inward investment in Algeria's non-oil and gas sector, and

marks a success for the Algerian authorities desperate to shake off Algeria's violence-ridden image and attract foreign investment.

Since the outbreak of the Algerian crisis in 1992, when the army cancelled elections which an Islamist party was about to win, the government has succeeded in attracting foreign investment into the heavily guarded oil and gas sector, which is sheltered in the desert and has largely been spared from attacks.

But much needed investment into productive sectors has been deterred by the seemingly endless violence. Daewoo officials in Algiers said the company was dis-

cussing with the government the precise stakes it will take and the company it wants to invest in.

But according to Abdelmajid Menasra, minister for industry and restructuring, Daewoo's investments will include the purchase of a majority stake in the loss-making state vehicle manufacturer now being restructured. The company operates at 40 per cent of capacity and its workforce is expected to shrink from 13,000 to 10,000. Officials say modernising the company will cost at least \$250m.

Daewoo also expressed interest in buying a stake in the state-owned electronics company and is looking into

Genetic wheat ban eased by Egypt

By Mark Huband in Cairo

Egypt has modified a ban on imports of genetically engineered grain after intense pressure from exporters who had criticised the sudden ban when it was ordered last month.

A Ministry of Health decree in July had demanded that imports of grain, as well as soy beans and pulses, be accompanied by a certificate from their country of origin proving they had not been genetically altered.

The ban raised the prospect of widespread disruption to grain imports. Egypt imports around 60 tonnes of wheat worth \$1.3bn a year, accounting for 60 per cent of consumption, making it one of the world's biggest wheat importers. About 4m tonnes comes from the US, 1m from Australia and the rest from France and Argentina.

The ministry has now modified the decree so non-genetically modified products no longer need a certificate, and genetically engineered products which have been safely introduced in their countries of origin can be exported unlabelled.

The government has retained the right to inspect consignments which it suspects may not be correctly labelled.

The ban, issued at a time when fears that beef infected with BSE - or "mad cow" disease - had been dumped on the Egyptian market, marked the government's response to concern over food safety. Both the US and Australian officials have insisted that they neither produce nor export genetically engineered wheat.

For western carmakers a production base in eastern Europe offers direct access to the fastest growing markets in Europe, in the west such as Spain and Portugal," says the study.

Former Soviet Union car sales

Year	Czech Rep.	Poland	Others
1997	1.0	0.8	0.5
1998	1.2	1.0	0.6
2000	1.4	1.2	0.7
2001	1.6	1.4	0.8
2002	1.8	1.6	0.9

Source: Delphi Research

Western carmakers' investment plans in the former Soviet Union remain "more cautious", says the DRI study. "The markets are more risky than in east Europe and are far less developed. Several of the smaller producers are struggling to survive."

Car import tariffs in Poland are declining steadily in line with the country's association agreement with the European Union and car sales in Poland are now matching the scale of some medium-sized markets in western Europe such as the Netherlands.

Rapid growth in Poland and the Czech Republic has masked problems in some other countries such as Bulgaria, where the prolonged economic crisis caused sales last year to fall to half the level of 1994. The DRI report says that

WORLD TRADE NEWS DIGEST

Cray argues dumping case

Cray Research of the US yesterday gave evidence to the International Trade Commission which is investigating Cray's allegations of dumping by two Japanese super-computer makers.

Cray argued that vector supercomputers were a distinct product that met specific demands and that a relatively small market size increases the impact of dumping practices. According to Cray, research and development by the world's four vector system manufacturers totals \$300m, while sales are \$700m-\$800m per year. Prices, they contend, must remain high to recover costs.

Japanese producers have doubled their vector supercomputer market share in only three years. Cray argued that due to price pressures from its Japanese competitors, it had lost 9 per cent of its sales.

Fujitsu, one of the Japanese companies, argued that non-vector supercomputers could be viable substitutes, and denied that vector systems had a distinctive quality. Moreover, they argued that Cray sold its own non-vector supercomputers to weather forecasters in Europe at prices that were far below Fujitsu's.

Heather Bourbeau, Washington

AIRCRAFT SALES

Bombardier wins SAS order

Scandinavian Airlines System (SAS) has stepped up its fleet modernisation programme, announcing plans to acquire 15 commuter aircraft from Bombardier of Canada for \$72.5m (\$81.4m). The carrier, 50 per cent owned by the Swedish, Norwegian and Danish governments, said Bombardier had won the order against a rival tender from AIR - the joint venture between British Aerospace, Aerospatiale of France and Alenia of Italy - which had offered SAS its ATR turboprop.

Kurt Kuhne, vice president of SAS fleet development, said they had taken options on a further 16 Bombardier Dash 8-400 aircraft, with the first due to enter service in July 1998. The order from SAS Commuter, the airline's regional subsidiary, augments plans to invest \$81.4m to upgrade the SAS fleet over the next five years. That investment will be dominated by an order for 41 short-haul Boeing 737-600 aircraft.

Ole Pedersen, president of SAS Commuter, said the Bombardier turboprop would be used on domestic services in Sweden and on regional services out of Copenhagen. Although SAS has opted for the 73-seat version of the Dash 8-400, the carrier has won the right to switch to smaller 50-seat variants at a later date.

Tim Burt, Stockholm

SATELLITE ORDER

Arab company picks Hughes

An Abu Dhabi-based company said yesterday it had selected the US company Hughes as the preferred bidder in a deal worth up to \$1.2bn for a satellite system to extend mobile telecommunications throughout the Arab world.

Thuraya Satellite Telecommunications said its board decided to enter into final negotiations with Hughes out of three leading satellite manufacturers competing for the project. Also in the race were Aerospatiale of France, and Lockheed Martin of the US. Thuraya said it will now go into a final round of talks with Hughes and expects to sign the deal by September 11.

Reuters, Dubai

Rising incomes driving up car sales in E Europe

Malaysia ends levy to help property market

By James Kyng
in Kuala Lumpur



Malaysia is today due to abolish a levy on foreigners' purchases of property in an attempt to support real estate prices before an expected glut materialises next year.

The move, announced yesterday, is one of the few concrete initiatives the authorities have revealed to remedy an economy suffering from a depreciating currency, falling stock values and a slowdown in consumer spending.

Glut of accommodation and falling prices expected next year

The levy of M\$100,000 (US\$36,000) is applied to foreigners buying properties worth more than M\$250,000 and was introduced in 1995 to curb speculation in a sector then thought to be overheating.

Property company shares were unmoved by news of the levy's abolition yesterday, with the property index falling 15.39 per cent, or 0.84 per cent, to 1,825.25. "Everyone knows there is a glut coming sometime next

year, so foreigners will probably wait a while until prices look more attractive," said one industry analyst. "This will not have a large effect on the market."

The government, which rejects widespread assertions that the economy is slowing, maintains that even if there is a property glut next year, it will be minor. Statistics suggest otherwise. Office space in and around Kuala Lumpur totals around 38m

sq ft, but about 90 buildings are to be built, which will add another 34.7m sq ft, property consultants said. The annual take-up in the last few boom years has been about 3m sq ft a year.

The prices of high-end condominiums rents have already begun to fall, by as much as 15 per cent. Yet about 55 condominium projects are under construction in and around the capital. The 14m sq ft of retail space

is set to be dwarfed by another 20m sq ft planned to be completed over the next four years. Some shopping malls report poor business.

In the countryside outside Kuala Lumpur, earthmovers and cranes have already abandoned some half-finished residential sites. Banks have been slashing lending to property companies and raising provision against bad debts.

Analysts said the wider economic problems induced by the property glut are unlikely to be as serious as in Thailand.

This is mainly because

Malaysia's financial sector is seen as more robust and better regulated than its Thai counterpart.

Quotas on property purchases by foreigners will be maintained. The main ones stipulate that only 10 per cent of semi-detached and detached houses within any development can be bought by foreigners. The quota for condominiums is 20 per cent.

Japan to liberalise internet services

By Michiyo Nakamoto
in Tokyo

Japan's telecoms authorities have liberalised international internet telephone services in a move expected to trigger competition and significantly cut the cost of making international phone calls from Japan.

The Ministry of Posts and Telecommunications said the liberalisation would enable telecoms service providers which do not own their own telephone lines to offer international call services using the internet on leased lines.

As a result of the ministry's deregulation, AT&T Japan, a subsidiary of the US operator, will offer internet phone services which will cut the cost of making a call from Japan to the US by 78 per cent. Other service providers plan to offer internet phone services at significantly lower rates than at present available.

The start of international internet phone services is likely to encourage incumbent carriers to lower their rates as well.

"On average, international phone call rates are expected to fall 15-20 per cent each year over the next five years" as a result of new entrants, such as the internet phone service providers, says Mr Paul Saferstein, analyst at Morgan Stanley Dean Witter in Tokyo.

Japanese international call rates are the highest in Asia and 2.5 times those of the US, he says.

Japan's international phone market has largely been restricted to the three main international phone operators and several smaller call-back service providers. Since Japan does not yet permit connection of leased lines to public lines at both ends, it has not been possible for service providers to lease an international line and offer services at cheaper rates.

As a means of further triggering competition, the ministry decided to liberalise international internet telephony ahead of plans to deregulate, by the end of the year, the international leased-line market, to allow the connection of leased lines at each end to the public network. This move is expected further to increase competition in the international market.

Meanwhile, Japanese domestic carriers, which are expected to enter the global market in coming years, are likely to increase pressure on existing international carriers.

HK land auction shows strong demand

By John Riddings
in Hong Kong

Hong Kong's first government land auction since it returned to Chinese sovereignty on July 1 showed strong demand for luxury residential property and continued confidence in the real estate sector, property developers and investment analysts said yesterday.

A luxury site at Repulse Bay on the south side of Hong Kong Island, which was the focus of attention, fetched HK\$5.55m

(US\$717m), slightly higher than average forecasts.

Two small sites received bids at the top end of expectations.

Tim Bellman, director of Jones Lang Wootton, real estate agents, said the auction showed sentiment remained resilient following the transfer of sovereignty, and turmoil in regional currency markets. "The fundamental have not changed: a rising population, increasingly wealthy, and a shortage of housing," he said.

Victor Li, deputy chairman of Cheung Kong, one of

the territory's biggest developers, said the bidding showed strong underlying demand for property. He called on the government to release more land for development.

Cheung Kong was defeated in the contest for the Repulse Bay site by Chinachem, another of the territory's big developers.

Some analysts were cautious about drawing broader implications from the sale, viewed by many as a gauge of confidence in the sector ahead of government plans to increase housing supply.

The Hang Seng index, the main stock market indicator, closed down 13.27 points at

Hong Kong's housing shortage has been targeted as the top priority of the new administration. Tung Chee-hwa, Hong Kong's post-colonial leader, has promised to expand supply by 85,000 units a year, raising uncertainty on future price trends.

The land auction rallied the Hong Kong stock market, down sharply in the early stages of the auction when bidding for the Repulse Bay site was stuck below HK\$4m.

The Hang Seng index, the main stock market indicator, closed down 13.27 points at

15,533.95, off its low of 15,284.65. The main signal from the auction, say analysts, was the strength of demand in the luxury sector.

Here, prices rose by more than 50 per cent between the end of June 1996 and the same date this year.

Yesterday's winning bid is

equivalent to HK\$16,114 per square foot, underlining Hong Kong's standing as one of the world's most expensive property markets.

Reuters adds from Shanghai:

A Japanese group yesterday defied a sagging Shanghai property market

and broke ground on a US\$630m skyscraper, to become the world's tallest building when finished in 2001. The Shanghai World

Financial Centre in the city's Pudong District will be 8 metres taller than the world leader, Kuala Lumpur's Petronas Towers.

ASIA-PACIFIC NEWS DIGEST

Chinese set congress date

China's ruling Communist party said yesterday it would open what will be its most important policy-making meeting in five years on September 12. Preparatory work for the 15th party congress had been completed, the Xinhua news agency said. The congress is important because it will set policy and elect the leaders who will rule China into the 21st century. The meeting, expected to last a week, will be preceded by about three days of working sessions, expected to start September 9.

China's ruling party traditionally shrouds such meetings in secrecy, even keeping the dates from the public, saying party affairs are no one else's business.

Party reformers and hardliners have been jockeying for position in the run-up to the congress. Jiang Zemin, China's Communist party chief, is expected to use the congress to win a vote of confidence for his bold plan to reduce the state sector in the economy. The party leadership has dragged its feet on the issue because of fears that bankruptcies would result in mass unemployment and social unrest.

Reuter, Beijing

MISSILE PROLIFERATION

N Korea pulls out of US talks

North Korea pulled out of talks with the US on missile proliferation that were to have started yesterday in New York and its delegation was heading home, US State Department officials said. They said the three days of talks had been postponed and it was not known when they would be held. The delay came one day after the department announced that the North Korean ambassador to Egypt and his brother, a diplomat in Paris, had sought and received asylum in the US.

The talks were to have dealt with US concerns over North Korean exports of ballistic missiles. Next month four-party talks between North and South Korea, the US and China are due to resume in Geneva to bring a formal end to the 1950-53 Korean war. In Pyongyang, a foreign ministry spokesman called for the two defecting diplomats, ambassador Jang Seung-gil and his brother Jang Seung-ho, to be extradited to North Korea to face trial. He called them "criminals". Reuter, Washington

INDONESIAN MINE

Fund disbursement delayed

Freeport McMoRan, the US natural resources group, is attempting to reduce tensions near its Grasberg mine in Irian Jaya, Indonesia, one of the world's biggest and lowest-cost copper producers, by holding back a second payment from a trust fund it set up to help local people. The fund is to distribute 1 per cent of Freeport Indonesia's adjusted gross revenue, or about US\$15m for 1996.

Three church groups warned last week that, unless changes were made in the way the funds were disbursed, a second payment could spark tensions or tribal warfare. Two Indonesian tribesmen were shot dead last week in clashes provoked by disputes over the distribution of funds. A Freeport official said yesterday his company accepted that the fund disbursement mechanism should be reviewed.

Kenneth Gooding, Mining Correspondent

China's PCs win back home market

Donghai computers sell faster than their foreign rivals, writes James Harding



of the desktop market fell to 6.7 per cent in January-June 1997 from 7.5 per cent in the same period last year; Compaq's share slipped to 6.2 per cent from 8.2 per cent, with AST's down to 3.8 per cent (7.9 per cent).

Chinese companies such as Legend Group, the most successful PC producer in China, Founder, the company spun out of Beijing University, and the smaller Shanghai Computer Factory, which makes the Donghai range of PCs, are taking larger and larger slices of the market.

Legend has seen its market share rise from 8 per cent to 10.4 per cent in the same period, market research shows. "We are highly market-sensitive," says Wang Yan, at Legend's headquarters in Beijing, "so we started cutting the price of our products early and expanded market share."

"Legend's technology does not lag far behind our foreign rivals and we have a much better understanding of the Chinese market and

government protection as there is little you can do about overseas competition. The only thing we can do is develop our products and make our own living," Mr Wang says.

Founder, the leading company in Mandarin Chinese electronic publishing, is also making inroads: PC sales accounted for one quarter of the group's HK\$1.4bn (US\$180m) sales last year; it plans to raise PC production to 80,000 in 1997. Shanghai Computer Factory intends to raise output from 20,000 units in 1996 to 40,000 this year and 100,000 in 1998.

Chief selling point of Chinese brands has been price: The Donghai "Sea Leopard", a comprehensive desktop with 16MB RAM and 1.2GB hard drive, retails at Yn8,210 (990), about a third cheaper than an equivalent Hewlett-Packard machine.

Cheaper local products have forced foreign brands to cut their prices. Acer of Taiwan announced last month it was cutting prices 20 per cent. Distributors in Shanghai say IBM and Compaq have cut prices by 10 per cent to attract local prices.

Fu Bin, IBM's general manager for PCs in Shanghai, says the company will

"follow the market price." IBM is "fighting a long-term war. We are not the leader on price, but the leader in technology and service," he says.

Mr Fu acknowledges "Legend has been gaining market share more quickly than IBM" but adds the rise of Chinese brands reflects two factors in the Chinese market.

First, the rapid rise in family and small-business users of personal computers. Mr Fu argues it is in this segment of the market, where high-cost, high-quality foreign machines barely compete, that Chinese producers are gaining market share, but at the expense of Chinese unbranded producers of "clone machines" rather than companies such as IBM.

Second, there is the state market. Chinese government offices, state-owned enterprises, post offices, banks and railways, "prefer to use national brands," says Mr Fu.

In his shop, Mr Liu agrees that state companies would rather buy Chinese-made goods. But it is price, rather than patriotism, which really attracts the local buyers, he adds.

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Treasurer faces rebuff in referendum on compulsory scheme

NZ pension row hurts coalition

By Tony Hall in Wellington

New Zealand's treasurer, Winston Peters, seems set to receive a rebuff in his bid to win popular support for a new compulsory pension scheme.

Polls show that 75 per cent of people intend to vote against what is known as the Peters Plan, in a referendum on the plan to be held early next month. A large No vote could damage Mr Peters' position as treasurer, already under increasing pressure. Earlier this month he refused to apologise after being criticised by a commission of inquiry into the so-called "winebox" corporate tax avoidance.

Mr Peters rejected the report and seems likely to seek a judicial review in spite of repeated requests from the prime minister, Jim Bolger, to let the matter rest.

The issue is causing enormous problems for Mr Bolger and is putting the National-NZ First coalition he leads under pressure. What is of particular concern is that Mr Peters is at loggerheads with powerful sections of the business community, which has traditionally been close to the conservative National party.

The Treasury team that designed the scheme has won praise from international and local pension experts for producing a policy, which it is believed would ultimately lead to a stronger economy and lower government spending.

The result of the referendum on the proposal will be binding on the government. The pension was a key plank in the coalition agreement that saw the National party link with New Zealand First last December.

Initially Mr Bolger strongly endorsed the findings of an independent body, the Todd Committee, which says the present state-funded scheme is affordable with possible modifications such as raising the retirement age to 67.

However, objections from senior ministers have forced Mr Bolger to retreat, apparently in the interests of party unity and amid increasing speculation of a leadership challenge, or even his own political survival.

Outright condemnation of the proposal had mainly centred on the argument that compulsory pensions would be unfair to women.

One of the fiercest critics of the plan among senior ministers is right-winger Jenny Shipley, whose popularity has since soared in opinion polls. She is tipped to succeed Mr Bolger as National leader as early as next year.

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Ministers under pressure as failures in handling of the Montserrat crisis are admitted

Foreign Office unveils review of colonies

By David Wighton,
Political Correspondent

Robin Cook, the foreign secretary, yesterday announced a review of policy towards Britain's dependent territories, after admitting there had been failures in the handling of the Montserrat crisis.

Mr Cook said the aim of the review would be to reaffirm Britain's commitment to its 12 remaining colonies and their 180,000 inhabitants. "We have to make sure that there is no suspicion of

any neglect by Britain," he said.

Mr Cook said the time was right for a review following the handing over of Hong Kong and the problems thrown up by the Montserrat crisis. Although he insisted there had been no failure of policy on Montserrat, he added: "There has clearly been a failure of communication over the last few weeks."

The pressure on ministers over Montserrat increased yesterday after it emerged that there are likely to be

brought before a committee of the House of Commons to explain their actions.

Mr Bowen Wells, chairman of the international development committee, called for members to return to Westminster to launch an immediate inquiry.

His intervention came as Bernie Grant, a backbench Labour MP, flew to the island in an effort to "patch up" relations. Mr Grant, chairman of the all-party Caribbean committee, has been highly critical of the government. Yesterday, he

repeated his charge that comments made by Clare Short, the chief international development minister, had been "unhelpful". He said: "I think the megaphone diplomacy that was going on was totally uncalled for."

Mr Cook said he would lay out the conclusions of the review in a speech to the Dependent Territories Association in February.

The Foreign Office said the process "will look at any issues identified by the people of the territories who are those directly affected".

Tom Russell, UK representative for the Cayman Islands and chairman of the association, welcomed the review and Mr Cook's personal interest.

Following prime minister Tony Blair's moratorium on further policy reviews, the Foreign Office stressed that it was not describing the process as a "review" but as a "hard look at our policy".

• Britain's intelligence services are to help fight the drugs trade in south-east Asia. Mr Cook disclosed as he arrived in Kuala Lumpur

yesterday. "There is evidence that the military government of Burma continues with the drugs trade," he told reporters travelling with him. "We will be using all our assets, including the work of our intelligence services, for whom work against the drugs trade becomes increasingly important as they free up resources from the end of the Cold War."

But he did not believe British personnel would be used in the drugs battle in all countries in the region. Hill had not been good.

The pilot of the higher of the two Heathrow-bound British Airways Boeing 757s spotted the danger and climbed to safety as the aircraft came within less than 200m of each other. The higher of the two planes was flying in from Paris Orly with 165 passengers and seven crew. The other was carrying about 150 passengers from Geneva.

The pilot who took evasive action last November's incident said there had been a "high risk of collision" and that one would have occurred if the weather over Biggin Hill had not been good.

The two planes were stacking as they waited to land. They were so close that the air traffic controller could not read their overlapping identity tags on his radar screen. The controller wanted the lower aircraft to descend, but mistakenly gave the order to the pilot of the higher aircraft, who descended for 30 seconds before climbing to safety.

"Had it not been for the excellent daytime visibility, which enabled the [higher] pilot to ensure visual separation was maintained, a more serious incident might have resulted," said the report. It added that the controller might have become confused as the aircraft were of the same type, operated by the same company and had the same call-sign prefix.

• Two British Airways pilots suspended after a five-year-old girl was seen in the cockpit of a Heathrow-bound jet have been cleared of any wrongdoing, the airline announced yesterday. The men were investigated after allegations that the girl pushed buttons on the flight deck of a Boeing 757 from Nice.

The Civil Aviation Authority has been informed and made it clear that it is satisfied that this was an internal matter for British Airways only, the airline said. The two pilots were in control of the aircraft at all times and would never have jeopardised the safety of passengers. British Airways, the UK's biggest holiday airline, has also been carrying out an internal inquiry. The airline suspended two pilots after the wife of one of them was allegedly seen in one of the pilot's seats on a flight last month. A decision is expected next month.

■ DRINKS INDUSTRY

Five 'alcopops' are withdrawn

Five "alcoholic soft drinks" are to be withdrawn from sale following criticisms by the Portman Group, the industry watchdog, over unacceptable marketing practices. Eight other "alcopops" are also to be renamed or repackaged in most cases following complaints that they were targeted at under-age drinkers.

The Portman Group, which is funded by the drinks industry, said the prompt action by all 11 companies which had broken its voluntary code demonstrated the success of self-regulation.

The five drinks to be withdrawn include Allied Domecq's Barking Frog and The Sainsbury Store chain's own-brand alcoholic lemon drink. Both were ruled to have used images likely to appeal to under-18s. The makers of the alcoholic milk drink Moo, which caused uproar when it was launched in July, have agreed to change its name to make it less appealing to under-18s. Other products, such as Cott Europe's Vixen and Welsh Distillers' Raw Passion were criticised for linking their products to sexual success or prowess. Alcohol Concern said it was encouraged by the response, but suggested that many of the companies would have withdrawn the drinks anyway on commercial grounds.

John Willmott

■ OVERSEAS DEVELOPMENT

Cashflow problem hits aid group

A cashflow problem has forced British Executive Service Overseas, the charity which last year sent more than 600 senior volunteers on aid assignments, to reduce its activities. Beso has expanded rapidly in recent years, providing developing and former eastern bloc countries with advice on privatisation, restructuring, financial services and administration.

However, the charity said it had underperformed recently in raising donations and received less or was subject to delays in receipts from other funding organisations, such as the European Commission. Mr Peter Smith, chairman of Beso's finance and general purposes committee, said there would be a "substantial" reduction in the number of assignments in the current year. Mr Smith said there was "no crisis" and stressed that the charity's finances had been put back on an even keel, with a small surplus expected at the end of the current financial year. Beso's annual budget is about £2m (£3.25m) and its biggest stakeholder is the UK Department for International Development.

Andrew Bolger

■ STATE HEALTH SERVICE

Minister orders 'rebranding'

Frank Dobson, chief health minister, has ordered a "rebranding" of the state health service in an attempt to address a process of fragmentation in the last decade. Mr Dobson is concerned that the Thatcher government's health reforms of the 1980s diluted the impression of a truly national service by creating scores of semi-independent trusts.

Mr Dobson wants all health service organisations to include the service's new logo on their signs and stationery. The exercise will coincide with government plans for a nationwide celebration of the 50th anniversary of the foundation of the service next July. The government intends to mark the anniversary with a series of events drawing attention to the fact a Labour administration set up the service.

George Parker

■ E.COLI OUTBREAK

Bathroom catering business closed

A catering business run from a converted bathroom was closed by magistrates yesterday in Birmingham, the second largest city in England. It was the second catering business in two days to be served with an emergency ban by magistrates in the city. Officers described the premises as "filthy and dirty" with some fittings "incapable of being cleaned thoroughly". The business was inspected because it provided chapatis for a wedding feast this month at which an outbreak of e.coli is thought to have arisen from infected lamb.

Two four-year-old victims, who may have eaten infected food brought home from the wedding, could face a lifetime of kidney problems. The boy and girl are expected to recover from the food poisoning, but doctors fear their kidneys may be beyond repair.

■ INTERNATIONAL SURVEY

London hotels 'most expensive'

London's hotels are the most expensive in the world, according to a global survey of prices and earnings by UBS (United Bank of Switzerland). It says the cost of an overnight stay in a London hotel exceeds \$400 compared with a global average of \$270. However, London's restaurants offer good value compared with those in Asian cities and in Moscow. Overall, London was the world's ninth most expensive city in a top 10 led by Tokyo and dominated by Scandinavian cities.

Andrew Bolger

Empire peoples are subjects but not citizens

Despite recent ridicule of the government for its bewildering number of policy reviews since the May general election, yesterday's announcement by Robin Cook, the foreign secretary, of a six-month review of Britain's relations with its dependent territories has met with broad approval.

There have been widespread calls for a re-assessment since the handover of Hong Kong in July, until then by far Britain's largest colony. The government's problems over its handling of the Montserrat crisis have increased pressure for a new look at the 12 remaining colonial or "dependent" territories, which have a total population of 180,000.

This week Menzies Campbell,

foreign affairs spokesman for the pro-European Liberal Democrat party, wrote to Mr Cook urging a comprehensive review. Announcing the move during his trip to Asia, Mr Cook said now was the time for a reassessment.

Those, again like Montserrat, which receive support under the aid budget have close relations with the Department for International Development, headed by

Clare Short. For the others, the most important relationship is a direct one with the Foreign Office.

After the election there was a suggestion responsibility for all the territories should be moved to the Department for International Development. This appears to have been dropped.

In his letter to Mr Cook, Mr Campbell called for the review to consider re-establishing a separate department within the Foreign Office "staffed by specialists" attuned to the territories' requirements. Mr Campbell added yesterday that the government's disregard over Montserrat underlined the case for such a department.

The other prime issue Mr Campbell said the report should look at was the question of citizenship.

Apart from those in Gibraltar and the Falklands, the territories' inhabitants do not have the right to British citizenship, with the people of St Helena, having it taken away in 1881. All the inhabitants "are British subjects," he said, "but don't have the rights and privileges of British subjects."

But one territory representative suggested citizenship was not a priority for most territories. "What most would like is the right to travel through Europe without visas, just like people from French and Dutch overseas territories."

There would also be widespread support, the representative added, for following the French and Dutch model and calling them British overseas territories rather than "dependent territories".

The Civil Aviation Authority has been informed and made it clear that it is satisfied that this was an internal matter for British Airways only.

The two pilots were in control of the aircraft at all times and would never have jeopardised the safety of passengers.

British Airways, the UK's biggest holiday airline, has also been carrying out an internal inquiry.

The airline suspended two pilots after the wife of one of them was allegedly seen in one of the pilot's seats on a flight last month.

A decision is expected next month.

Exports still growing despite strong pound

By Richard Adams
in London

The Office for National Statistics stamped the City yesterday with trade figures for June showing exports continuing to grow in spite of the strength of sterling.

The international trade deficit surprised commentators by shrinking in June. Excluding trade in oil and large erratic items - such as jewels and aircraft - the deficit was £974m. This was a big improvement from May's £1.14bn shortfall.

The data reversed the previous trend in the trade balance, which had been for the deficit to worsen.

The biggest surprise came in the news that non-oil UK export volumes continued to grow faster than imports. The Office for National Statistics said that export volumes increased by 9.2 per cent in the year to June while imports grew by 8.1 per cent.

Exports have been predicted to see a steep fall for several months. Sterling has risen by 20 per cent against the currencies of its trading partners since last August, making exports more expensive and imports cheaper. Survey evidence from the Confederation of British Industry, the main employers' lobby, has put export orders at very low levels.

David Walton, an economist at Goldman Sachs investment bank, said: "I think it's hard to believe the trade numbers are as good

as they seem, given the survey data from manufacturers recently."

Mr Walton said that the seasonally adjusted figures may not reflect the true trade position and expects the deficit to worsen.

But Dharshni David at HSBC Markets said the figures showed no signs of the strong pound hurting exports. Ms David said: "There's every sign that exporters are cutting prices to maintain market share."

The ONS said export prices excluding oil fell by 1.7 per cent in the second quarter compared with the first quarter. Import prices also fell, by 1.2 per cent.

The headline figure for June saw the trade deficit widen by £217m to £250m. But analysts said the headline figure looked gloomy because of unusual patterns in oil and erratic items.

North Sea oil production

usually gives boost to UK exports of around £400m.

But in June, because of increased domestic demand and repair work on North Sea rigs, the surplus was only £183m - around half its usual level.

There may be further good news when July's total international trade figures are published next month. The ONS reported that the UK's deficit in trade with countries outside the European Union fell from £713m to just £65m between June and July.

Samuel Brittan, Page 8



Changes to Army training mean that instructors will shout less at recruits, John Reid, minister for the armed forces, (pictured with a recruit) said at the launch yesterday of a new training regime. The changes are a response to figures which show the Army under strength by 5,000 soldiers and high drop-out rates among those enlisted. Brigadier Andrew Cumming said the previous course had "overheated" recruits. "We were breaking people rather than building them up"

Scots assembly 'will be biased'

By James Buxton
in Edinburgh

The Labour government's proposed Scottish parliament in the referendum on September 11.

He said that, even though the parliament will be elected partly by proportional representation, it would still be dominated numerically by Glasgow, Edinburgh and the rest of the central belt.

"Within that Labour-dominated central belt," Mr Anram said, "there is the whiff of the manure of corruption and the pork barrel and of the politics of fear, some of which have recently

superseded through to the surface."

This is a reference to recent allegations of "sleaze" in Paisley, which led to last week's suspension by the Labour party of one of its MPs in the region.

Mr Anram said he was worried by the decision of the Scottish national party to support devolution. "They see a Yes vote as the first real step on the road to independence for Scotland."

In the 1979 referendum on devolution people living out-

side the central belt, in areas such as the Borders, Grampian and the Highlands, voted against constitutional change.

This time, however, opinion polls show all regions in favour of a Scottish parliament with tax-raising powers.

Yesterday it emerged that Tam Dalyell, the Labour MP who is a vigorous critic of his party's devolution policy,

will join Mr Anram and other anti-devolution campaigners in a TV debate just before the referendum.

Dublin politicians walk constitutional tightrope

Even-handedness must be shown in negotiations over Northern Ireland's future, writes John Murray Brown

Warning on 'decommissioning'

The Ulster Unionists, the largest pro-British party in Northern Ireland, yesterday warned that talks on the constitutional future of the region could not start until there was further progress on arrangements for "decommissioning" weapons held by paramilitary groups, David Trimble, party leader, attacked as "an admission of failure" Tuesday's agreement between the governments of the UK and the Republic of Ireland about the set-

ting up of a commission to oversee the handover. "All we have got is an agreement to establish a commission - a commission that has not even been set up yet and nothing has been decided on who will be part of it." He said the process was being sabotaged by "people who don't want to see 'decommissioning' occurring and by extension don't want to see the talks succeeding."

Editorial Comment, Page 9

At the same time, however, there is a lack of interest in Northern Ireland - a view that northerners should sort out their problems among themselves, and not involve the republic.

Gerry Adams, the president of Sinn Fein, the political wing of the Irish Republican Army, is seen by many to be delinquent when he asserts that most people in the Irish Republic

believe a united Ireland is the most desirable outcome of negotiations.

MRBI, the main opinion polling company in the Irish Republic, found recently that around a third of those asked wanted a united Ireland while 28 per cent suggested some form of joint sovereignty, and 21 per cent favoured an independent Northern Ireland. Around 10 per cent wanted the region to remain part of the north.

Fionn Fail, the main government party and the guardian of constitutional Irish republicanism, is seen by many as the one party with the authority to deliver the changes. But Irish officials also insist that constitutional change must be part of a wider political package agreed by the parties.

David Trimble, leader of the Ulster Unionists, believes that the people of Northern Ireland, whether Catholic or Protestant, have

been given a chance to decide their future. "The people of Northern Ireland have a right to decide their future, and that right must be respected.

Cinema/Martin Hoyle

Naked hokum

Two fairy stories this week, one American, one British, each very much a product of its culture. The Americans take paranoia as a starting point to put over that well-known message: just because you're paranoid does not mean that everyone isn't out to get you. The English one focuses on underdogs, watches them muddling through a ludicrously unlikely ambition, and allows them a brief, heartening triumph. Both films are improbably cheerful, gloss over the implied ugliness of plot and setting, and require a mine full of salt to be taken with their happyish endings.

Conspiracy Theory deals with a New York taxi-driver obsessed to the point of nuttiness by "them". The Vietnam War was the result of a bet between Howard Hughes and Aristotle Onassis; the new hundred-dollar bills have tracking devices planted in them; the sperm of Nobel prize-winners' fathers is stored in deep-freeze conditions under the skating rink... Jerry Fletcher makes the average London cabby sound like Bertrand Russell for clarity and wisdom.

Mr Gibson plays him with a light touch so that the scenes between Jerry and the lawyer he worships from afar (and, more disconcertingly for her, close up), take on a family zany comic edge. Neither Gibson nor Julia Roberts is up to the Dick Powell/Rosalind Russell level of delivering cynamically-frothy; but then Brian Helgeland's script takes a vicious and typically late 20th-century turn: in his semi-coherent babbling Jerry hits on some sort of truth. In fact Jerry is not entirely what he seems. Car chases, kidnappings, truth-drugs and references to the CIA, FBI and sundry other portentously-initialised institutions.

John Schwartzman's camera-work turns New York into a darkly gleaming, strobe-streaked nightscape whose thin smoking crust covers heaven knows what

seismic nightmare of world destruction. Richard Donner's direction veers too often between sending up American paranoia and giving it its head - not to mention sending up the send-up and the genuine menace - resulting in a multi-layered film not quite certain which weight to punch at.

But Gibson, engagingly lined, initially convincingly bonkers, and touching in his gallantry (a nod to another, the other, famous filmic taxi-driver), plays well with Roberts, as lustrous and dewy as ever, with a new thread of steel running through her performance.

CONSPIRACY THEORY
Richard Donner
THE FULL MONTY
Peter Cattaneo

At two hours 20 *Conspiracy Theory* is 20 minutes and a couple of twists too long, but entertaining, tosh, hugely enjoyable hokum, all the same.

And not much more unlikely, when you come down to it, than *The Full Monty*. An unexpected runaway success in America, this gritty tale of a group of the Sheffield unemployed becoming male strippers is perhaps seen as a blessed antidote to Merchant Ivory or Hugh Grant versions of Englishness. The cinema seems to lag behind the other media in subject matter, however, male strippers have provided the theme for both stage plays and, in the last few years, a television drama with some similarities to *Monty*.

The full Monty apparently means complete nudity, recklessly promised by the ill-assorted group of self-taught strippers. Skinny, fat, young, old, well-endowed or ashamed of their bodies, they look

ominously like the cast for your average strenuous whimsy about lovable salt-of-the-earth horny-handed sons of toil.

The publicity comes loaded with significance - about how we see gender, men's changing role, the indignity of unemployment, according to the producer, one Uberto Pasolini. We can but wonder in wild surmise what another Pasolini might have made of male strippers in Sheffield. Or then again, perhaps not.

Like *Conspiracy Theory*, the film, as directed by Peter Cattaneo and photographed by John de Borman, adds a gloss to the surface of what should be ugly. They all have comfortable homes; nothing is really dirty. An eastern European watching this movie would want nothing better than to be unemployed in Yorkshire.

By the same token, aspects of the plot that are serious one moment (Carlyle's small son being involved in rehearsing the strip to the suspicion of watchful social services; a temporarily-employed security guard fleeing his job with stolen coats) are abandoned the next. If the film fails to follow through on issues it initially sets up as serious, why should we be bothered?

The acting carries it. Robert Carlyle leads the troupe, a far cry from his psychopath in *Trainspotting* and even further from television's over-whimsical Hamish Macbeth. As the lard-barrel afraid of losing his wife's love, Mark Addy is true and moving, as is Lesley Sharp in their scenes together. And the film climaxes with that much-heralded dance sequence with such infectious good humour that it's hard not to cheer for the ill-assorted hoopers - shades of the night-class terpsichoreans in *Stepping Out* on stage, or Dennis Christopher winning the bicycle race in *Breaking Away*.

You leave the cinema on a wave of good will. That, as Miss Prism noted, is what is known as fiction.



Entertaining paranoia: Mel Gibson and Julia Roberts in 'Conspiracy Theory'

Ian Shuttleworth reviews comedy and drama on the Edinburgh Fringe

Witty visuals and verbals

deliver a postcard to the Pope is not exactly coherent. The Peopolyx company is immensely cheerful, but - especially when trying out new material - sometimes its members fall prey to the trap of responding too much to each other and not to the audience.

Helipolloi unites a gentler vein in *Dead On The Ground* (Pleasance, the story of a man snatched prematurely by his supervising angel and their subsequent attempt to conceal this administrative cock-up from the heavenly big cheese. The company has made a positive decision to work in a particular mood and do it well, but the frenetic of Edinburgh does nothing to alleviate a niggling "so what?" feeling.

Rejects Revenge has been gaining in stature over the last couple of years, and *Dusky Fruit* (Pleasance) lives up to all expectations. Wonder and less frenetic than the company's more recent shows, the tale of a pair of fishmongers whilst trying to

incompetent removal men

and a quarter of simply glo-

rious business with comedy beards, a mobile toilet bowl and competing addresses to the audience, who laugh so long and hard that inevitably they are often still guffawing when the next gag comes along. This is not so much *The Right Size's* breakthrough as its apotheosis. The remainder of the show's Edinburgh run seems already to be sold out; if so, sell a kidney for the whereabouts to bribe the front-of-house staff to admit you.

Even classical music has begun to take on board the visual-comedy form. At the Traverse (venue 15), the *gogagogi gigagagan* features a string septet playing works ranging from Mike Westbrook to Palestinian Said Murad whilst impersonating a cinema audience, a Day of the Dead celebration or even (in darkness, their bows picked out by ultraviolet light) a school of fish. They still seem more of a novelty than a full show in their own right, but are gaining in assurance all the time and occasionally capable of astonishment. Now, put them in a shower cubicle with *The Right Size...*

All shows run to August 30 (0131-226 5138).

Caryl Churchill's double bill *Blue Heart*, presented by Out Of Joint at the Traverse, begins with a series of Ayckbourn timeslips. In *Heart's Desire* a family await the arrival home of their daughter from Australia; the same opening lines - "She's taking her time", "Not really" - are heard time and again until they, and the accompanying movements, acquire a comedy simply through repetition.

Gradually it becomes apparent that we are watching scenarios running through the heads of each of the characters: the exchanges and events they dream of occurring during the mundane business of waiting. Some scenes betray an authoritarian bent, some a desire to upset the family applecart, some are simply bizarre - without giving too much away, this is probably the first time Max Stafford-Clark has ever directed an emu. Finally, with the "authoritative", "objective" "reality" of the scene in its entirety.

After the interval, *Blue Kettle* also concerns clashing realities and the arbitrariness of events, albeit in a

Heart and Massage

more sombre mode. Jason Watkins' Derek, for reasons best known to himself, collects mothers, pretending to be the son they gave up for adoption four decades ago.

As he deals in turn with a clutch of world-beat parents and also with his disapproving girlfriend, occasional words of dialogue are replaced by either "blue" or "kettle". The frequency of replacement gradually increases, the words are cut down to single syllables or even single phonemes, until the final exchange - when the truth is revealed to one of his collection - is conducted almost entirely in this gibberish: we understand what is going on from the speaker's emotions and cadence patterns alone. The double bill is entertaining and intriguing, and cries out to be described in Edinburgh shorthand as "off-beat".

After the interval, *Blue Kettle* also concerns clashing realities and the arbitrariness of events, albeit in a

continues his assimilation into the heritage industry. He may don a tight little frock and suspenders for *Massage*, but nothing else has changed. The England he writes about is simply the underside of that imagined by John Major - more squalid than the vision of warm beer and cricket on the green, but equally mythical. (For heaven's sake, his backdrop even includes a huge cartoon of Thatcher, and at one point his co-performer Barry Philips inveighs against rampant inflation - hardly up-to-the-minute stuff.)

His staging also betrays a sloppiness of theatrical vision: the same kitchen may be on- or offstage in the same set of scenes, as happens to be convenient, and Berkoff as "Mum" still drapes his housecoat left over right, wearing it as a man. His dramatic ode to the hand-relief industry is a brief sketch which, with digressions and irrelevant Berkoffian set-pieces, wilts over a full 90 minutes. Still, it is solid, traditional Berkoff; the knighthood heckles.

Between the sonatas she ticked in the four *Impromtu*s (D.899) of Schubert, and the much-loved *Moments musicaux*; artfully, winningly played, if not to the taste of sober Germanic purists. As a whole, nevertheless, this substitute programme was a let-down. We had a right to expect more from this often inspired pianist; she ought to advertise future programmes as "provisional", or "subject to the artist's whim".

David Murray



■ BERLIN

CONCERTS

Concerts: Tel: 49-30-203090
● Berlin Symphony Orchestra: conducted by Ettore Serafin in works by Korngold, Ligeti and Beethoven, with cello soloist Peter Bruns; Aug 28, 30
● German Symphony Orchestra of Berlin conducted by Vladimir Ashkenazy in an all-Beethoven programme, with piano soloist Louis Lortie; Aug 30, 31

■ EDINBURGH

Edinburgh International Festival Tel: 44-131-473 2000
CONCERTS
● Bank of Scotland Fireworks Concert: Brad Cohen conducts the Scottish Chamber Orchestra in the traditional Festival finale. The programme includes Shostakovich's Festival Overture, and works by Handel and J. Strauss. If you can't get a ticket, try the view from Calton Hill; Aug 28
● Bach Organ Works: organist

Peter Hurford plays a series of 15 concerts at Greyfriars Kirk. The performances are Tuesdays to Saturdays at 5.45pm. On

Thursdays he is joined by singers of the Dunedin Consort; to Aug 30

● Black on White: by Heiner Goebbels, whose jazz, rock and world music-influenced compositions have won him European celebrity, although he remains a relative unknown in the UK. This piece, subtitled *Music Theatre for Eighteen Players*, is performed by Ensemble Modern, with sets and lighting designed by Jean Kalman, costumes by Jasmin Andressa; at the Royal Lyceum Theatre; Aug 29, 30

● Archive Recordings: as part of the Festival's 50th birthday

celebrations, the Music Performance Research Centre at the Barbican Library has loaned a selection of archive recordings of concerts given during the early years of the Festival, which can be heard Mondays to Saturdays at the Queen's Hall from 11 to 30 Aug. Featured artists include

Leonard Bernstein conducting the LSO on 28th. Tickets cost £2, most recordings last 45 minutes and begin at 2.15pm (1.30 on Sat)

DANCE

● Nederlands Dans Theater III: Tears of Laughter, choreographed by Jiri Kylian. Sister company of Nederlands Dans Theater 1; formed for mature dancers. Programme of five separate works; at the Edinburgh Playhouse; Aug 28, 29, 30

THEATRE
● The Cherry Orchard: by Anton Chekhov. After the success of last year's Uncle Vanya, Peter Stein returns to Edinburgh with Chekhov's most famous play, in a Salzburg Festival production seen there in 1995 and 1996. Jutta Lampe is Ranevskaya.

Performed in German with supertitles; at the Edinburgh Festival Theatre; Aug 28, 29, 30

● The Cocktail Party: by T S Eliot. Premiered at the 1949 Edinburgh Festival, this Royal Lyceum Theatre Company production of Eliot's drawing room comedy seeks to illuminate its hidden depths; the director is Philip Franks; at the King's Theatre; to Aug 30

■ LONDON

CONCERTS

BBC Proms, Royal Albert Hall Tel: 44-171-588 8212

● BBC Singers: conducted by Bob Holton in a programme which includes works by Brahms and Schoenberg; Aug 28

● BBC Symphony Orchestra: with conductor Tadaaki Otaka

performs Dvorak's Overture

● Camilla, Lutoslawski's Cello Concerto - with principal cellist Paul Watkins - and Brahms' Symphony No. 1 in C minor; Aug 30

● Esa-Pekka Salonen: conducts the Swedish Radio Symphony Orchestra in works by Sibelius, Britten and Stravinsky; with soprano Dawn Upshaw; Aug 31

● John Dankworth: conducts The Dankworth Sextet, BBC Big Band and BBC Concert Orchestra in a

joint 70th birthday tribute to Gershwin and Duke Ellington, with Cleo Laine; Aug 29

● Leipzig Gewandhaus Orchestra: Alfred Brendel performs the Piano Concerto in A minor Schumann wrote for his wife. The programme includes works by Wagner and Mendelssohn and is conducted by Sir Neville Marriner; Aug 30

■ PARIS

OPERA
● Jakob Lenz (1977/78): by W. Rihm. Performed by the Opernensemble und Chor des

Luzerner Theaters and the Luzerner Sinfonieorchester AML

Conducted by Peter Kuhn in a staging by Ruth Nickler; at the Luzerner Theater; Aug 28, 30

■ PARIS

EXHIBITIONS

Salzburg Festival Tel: 43-662-844501

CONCERTS

SWF-Sinfonieorchester Freiburg:

and the Edinburgh Festival

Singers conducted by Michael

Gleilen in works by Holst and Kurtág. With violin soloist

Thomas Zehetmair; at the Grosses

Festspielhaus; Aug 31

■ PARIS

EXHIBITIONS

jeu de Paume Tel: 33-1-4703 1250

César: major retrospective of one of the most important French sculptors of the twentieth century. Tracing the different approaches and materials with which he worked, the exhibition includes almost 500 objects; to Oct 19

■ LUCERNE

International Festival of Music Tel: 41-41-210 3080

CONCERTS

● András Schiff: recital of Schubert piano sonatas; at the Union; Aug 28

● Berlin Philharmonic Orchestra:

conducted by Claudio Abbado

in works by Mendelssohn. With the

Slovakian Philharmonic Chor; at the von

Moos-Stahl-Halle; Aug 31

● Philharmonia Orchestra:

conducted by Claus Peter Flor in

works by Tchaikovsky and

Shostakovich; with violin soloist

Julian Rachlin; at the von

Moos-Stahl-Halle; Aug 31

■ PARIS

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Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Thursday August 28 1997

Angola in peril

The world is losing patience with Angola, and understandably so. Five months after a government of national unity was inaugurated in Luanda, the country appears to be reverting to civil war. The longstanding rivalry between the MPLA-led administration of President Jose Eduardo dos Santos and Jonas Savimbi's Unita movement is straining the settlement reached in Luanda in 1994 to breaking point.

The MPLA is not without blame. The overthrow of former President Mobutu Sese Seko of Zaire deprived Mr Savimbi of his main ally and a valuable rear base. Mr dos Santos could not resist the temptation to attack Unita strongholds in an attempt to establish its military supremacy. But the burden of responsibility for the current crisis rests with Mr Savimbi, who has regularly flouted the peace accord, holding back thousands of troops from a UN-supervised programme to create a national army.

After months of frustration, the UN is threatening sanctions against Unita, including bans on flights into territory it holds, travel restrictions on its leaders, closure of its offices in Europe and North America, and freezing of bank accounts. While worth applying, they should go in tandem with renewed efforts to implement the peace accord. Sanctions are unlikely to be enough to persuade Mr Savimbi, a seasoned

military campaigner who shrugged off an arms and oil embargo imposed by the Security Council in 1993, to abide by the Lusaka accord. Regional leaders such as Zimbabwe's Robert Mugabe should help the process.

This August, through an extraordinary combination of misadventure and miscalculation, Theo Waigel, Germany's long-serving finance minister, has occupied centre stage of what is known as Bonn's "summer theatre". By first calling for a cabinet reshuffle and then appearing to admit that he is weary of his job, Mr Waigel has put himself in the firing line and gravely weakened the already embattled three-party coalition government of Helmut Kohl.

The chancellor's latest crisis could have powerful effects outside Germany. Bonn under Mr Kohl has been the powerhouse of European integration. Over the next few months, the final decisions will have to be made about who will join the planned single currency in January 1999. The last thing the EU needs when member states are struggling to meet the Maastricht treaty criteria for participation is a government in Bonn preoccupied with internal political problems.

The chancellor, on his return from holiday this week, acted to reassert his authority through toughly worded statements rejecting any reshuffle before the next general election. But this month's events have cast a new shadow over the already subdued electoral prospects of Mr Kohl's quarrelsome centrist coalition of his own Christian Democratic Union, the Bavarian Christian Social Union headed by Mr Waigel and the Free Democrat party.

There is now more than a whiff of the end of the era of Mr Kohl, who 10 months ago became the federal republic's longest-serving leader and who at the beginning of October will notch up 15 years in office.

Mr Kohl's government, which struggled to be re-elected in 1994, faces a daunting task if it is to win the next general election on September 27 1998. It has lagged in the polls behind a putative coalition of SPD and environmentalist Greens for the past year. In recent months, it has been riven by internal disagreements and stumbled from one mishap and policy failure to another in a manner reminiscent of John Major's Conservative government in Britain between 1992 and Tony Blair's election win in May.

With state elections in Hamburg next month and in Lower Saxony, Saxony-Anhalt and Bavaria next year forcing politicians into almost constant campaigning over the next 13 months, the Bonn coalition has not the luxury of time to regroup and refocus its activities.

It was with the awareness of such weaknesses that Mr Waigel floated the idea of a cabinet reshuffle. His presentation was low key. At the tail end of a lengthy interview with the magazine *Der Spiegel* which had focused on his campaign for a better financial deal for Germany in the EU, he "advised" his friend Mr Kohl to "go into the election campaign with the team that he intended to govern with in the next parliament".

Even if wages were lowered, the proposal could reduce labour market pressures and so worsen the trade off between unemployment and inflation. That could ultimately result in even lower output and employment than before.

The fundamental objection to Mrs Aubry's scheme, however, is that it rests on the deeply pessimistic assumption that there is a fixed quantum of work, which if then tries to spread more evenly across the population, this is a social engineering masquerading as economic policy. At best, the impact on output and aggregate hours worked will be nil; at worst, it could lead to a drop in total output hours worked and even in aggregate employment.

To avoid making a bad situation worse, the government

should at least try to moderate the most unreasonable demands of the unions, even if this risks another winter of discontent.

This plan primarily aims at cutting the unemployment statistics. It might even do so, provided negotiators concentrate on making working time more flexible, instead of merely reducing it. This means moving towards annualisation of working hours and ensuring that agreements are reached by individual companies,

Aubry's jobs

The clearest sign yet that the French government's holiday is over came on Tuesday when Louis Vuitton, leader of the Communist-backed union CGT, declared the striking season open. Uncomfortably dependent on Communist MPs, the Socialist-led coalition is under mounting pressure to deliver on its pledge to fight unemployment. It will not find it easy.

Last week's details of the government's plan to create 100,000 public sector jobs in 1998 were outlined. Martine Aubry, the employment minister, must now explain how she intends to reduce working time to 35 hours a week, from the present 33.

The programme, which will be negotiated between unions and employers in September before going to parliament, is still on the drawing board. But leaks suggest that reductions will be phased in over three years and be accompanied by higher corporate taxes on overtime, as well as tax reductions for companies switching to 35 hours ahead of the deadline.

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Ulster hopes

The "quarantine period" set by the UK government after the IRA announced its ceasefire on July 19 expires this weekend. Today or tomorrow Mo Mowlam, the Northern Ireland secretary, will say officially whether she finds the ceasefire sufficiently "genuine in word and deed" to allow Sinn Fein, the IRA's political wing, to join the all-party talks which resume on September 15.

All the signs are that she will so find. In sharp contrast to the previous ceasefire of 1994-96, British officials have found no evidence that terrorist units are still watching security personnel or other potential targets. Better still, the IRA has stopped the brutal "punishment beatings" through which it used to maintain control of its local strongholds.

That shows, once again, that it is a highly disciplined movement. The leadership which decided on the ceasefire has the power to enforce it, and is clearly determined to meet the conditions set by London for joining the all-party talks. One reason for this is that it has already secured a crucial concession: the British government no longer insists, as in 1995, on the "decommissioning" of some IRA weapons before talks start.

In fact that concession was made before the last ceasefire ended, when John Major accepted the Mitchell report -

though he managed to obscure the fact by announcing elections to a largely meaningless "forum" at the same time. The Mitchell report requires participants in the talks to commit themselves to total disarmament of all paramilitaries, verified by an independent commission, and to forswear any attempt to influence the talks by use or threat of force, but not to implement decommissioning before talks start.

Unionists are not happy about this. Ian Paisley's Democratic Unionist party, indeed, has made clear that it will not sit down with Sinn Fein on September 15 in any circumstances. More important, however, is the attitude of the larger Ulster Unionist party. Its leader, David Trimble, has tried to finesse the issue by suggesting "proximity" rather than face-to-face talks. Sinn Fein has rejected this.

This is shadow boxing. Mr Trimble would look foolish if he insisted on sitting in the next room when the talks resume; but it is not remotely credible that Sinn Fein would boycott the talks because he did so. The truth is that the talks, while far from being assured of success, can now proceed in a much more hopeful atmosphere than anyone dared to imagine six weeks ago. No politician who stays away from them can expect his interest in peace to be taken seriously.

Washington insiders believe the Russian-speaking career diplomat - who's a veteran of the strategic arms talks and the Moscow and London embassies, and was once deputy head of the US Nato mission - would sail through the Senate confirmation hearings with little opposition from Jesse Helms, the feared and obstreperous Senate foreign relations committee chairman.

Clinton's European advice

might need some attention. He

recently received a gift from Romania - the communist-era flag with the red star torn from the centre, which is a prized symbol of Romania's democratic uprising. In a thank-you note to senator Peter Roman, he expressed gratitude for the "flag or poncho".

Pig deal

The Vietnamese passion for pork-stuffed spring rolls is putting serious strain on the country's pig supplies. Even in a country where there are pigs - pot-bellied and otherwise - everywhere you look, there soon won't be enough to go around. That is, unless some new breeds arrive, and what better way for pigs to travel than by plane?

The British-based Pig Improvement Company is working on a \$2.2m project to raise high quality swine for sale to local farmers. It's going to fly 655 plucky porkers all the way from London to Hanoi in a customised cargo plane, complete with automated drinking water systems, and handles to hold their trotters all the way.

John Gibson, PIC's man in Vietnam, says air travel is the safest and best way to transport pigs over long distances: the company hasn't lost a single curly-tailed hog in 30 years of airlifting them around the world.

Forecasting the future of supersonic travel is fairly safe - the chances are you'll be drawing your pension long before anyone proves you wrong. Over 30 years ago, the US Federal Aviation Administration said 200 supersonic aircraft would be flying by the mid-1970s.

They'd be full of cheap seats -

and what airline do the porcine passengers prefer? "We'll probably FedEx them in," says Gibson.

Plane truth

The Japanese appear to have revived their ambition to build a successor to the Concorde supersonic airliner: trade and industry ministry MitI is said to be pressing for a "national project" with a prototype in the air in three years.

Uncle Sam's NASA is studying a successor to Concorde, while Louis Gallois, former head of France's Aerospatiale, was also keen on the idea - until he was sent to run the railways.

There aren't many technical obstacles to building a supersonic passenger craft: the really hard bit is finding airline customers - there weren't many when Concorde appeared, and there still aren't. All a supersonic contender needs is a readiness to kiss \$100bn goodbye and a *volte-face* by environmentalists.

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larity has slumped since he raised prescription charges, was also under fire. These names were in addition to such hardy annuals as Günter Rexrodt, the ineffective FDP economics minister who has long been seen as a liability and owes his continuing position in government to internal FDP factors.

This contagious outbreak of speculation was doubtless one of the factors that prompted Mr Kohl on Monday to issue such a brutal put-down of Mr Waigel. The chancellor, who under the German constitution has the sole responsibility for reshuffling the cabinet, found his own authority challenged to an unprecedented degree. The rampant speculation threatened to undermine close allies such as Mr Blüm, whose contribution to effective government is limited but who commands strong support among Christian trade unionists allied to the CDU and among elderly voters.

Mr Waigel, in an interview published in Focus magazine on Monday, expected the chancellor to back his call for a reshuffle. Instead, Mr Kohl stated that the present team, except for Wolfgang Bötsch, the outgoing post minister, would stay until the election. Although Mr Kohl admitted that there would be talks at the end of the year about compensating the CSU for Mr Bötsch's departure, he narrowed his room for manoeuvre significantly by singling out ministers Blüm, Borchert, Kanther and Seehofer as performing "brilliantly" in difficult circumstances. He also credited his finance minister with doing a "first class job" and predicted that the two men would continue to work side by side.

By laying down the law, Mr Kohl may succeed in putting a lid on damaging speculation about his government's future. But the cost will be heavy. The events of this month have shown how weak the foundations of Mr Kohl's power have become after so many years in office.

Mr Waigel, once an indispensable ally, is seriously weakened and looking even more fragile than in June after the failure of his bungled attempt to rescue the Bundesbank gold reserves.

Mr Kohl may find himself with the worst of all worlds, having undermined Mr Waigel's position with the CSU while still expecting him to deliver policies in Bonn. It is Mr Waigel's job to ensure Germany is fit for EMU. He must also secure parliamentary approval for a tough 1998 federal budget and rescue something from the government's failure so far this year to push through reform of Germany's complex and inequitable tax system.

Little wonder, therefore, that Oskar Lafontaine, the opposition Social Democrat leader, had a broad grin on his face on Monday when he returned to Bonn to capitalise on the government's woes.

He, more than most, knows the power of Bonn's "summer theatre" to wreck political plans and careers. August feuding two years ago totally undermined the position of Rudolf Schäping, then opposition leader, and paved the way for Mr Lafontaine to wrest control of the SPD a few months later.

Financial Times

100 years ago

Wild Hopes On Wall Street Wall Street is basing its hopes of a continuation of the boom on the most vague of abstract expectations. The idea seems to be that a boom is due, and there's the matter of time.

Reliance is placed on the fact that there was an extraordinary rise in 1873, but it would be just as reasonable for the bears to base their speculation on the fact that there was a flood in the time of Noah.

On this occasion Europe is doggedly selling American securities instead of buying them, having learned by bitter experience that it is folly to repose the slightest confidence in the figures and statements emanating from the other side of the Atlantic. The last straw was the disgraceful case of the Baltimore and Ohio, when the Directors themselves had to call in Mr. Little to tell them whether the published accounts even approximated to accuracy, and who this expert showed that for no less than seven years the figures given to the public had been bordering on the fraudulent.

Clock watching

■

France's leftwing government would like to boost job creation by cutting the working week to 35 hours. But could it ever give serious thought to a proposal, apparently in circulation among officials, to fine employers who make staff break the current 39-hour legal maximum?

One of the biggest abusers of the upper limit is the

government itself. There are

bright young civil servants and

advisers in ministerial private

offices working late into the

night on ministers' pet schemes

- like how to cut working hours.

Maybe lack of sleep has affected

their ability to think

clearly.

Summit's up

■

German thoroughness has

solved another little problem.

A survey last year of the Brocken

- the country's highest

mountain, even if it is modest by

European standards - showed it was 1,140 metres high. But all the maps and atlases said it was 1,142 metres. So a construction company has just piled six

massive boulders on the Harz

mountain range's top spot. Saves

all that messy reprinting.



Kohl's simmering cauldron

Peter Norman argues that Germany's government is showing signs of the tiredness that gripped Britain's Tories

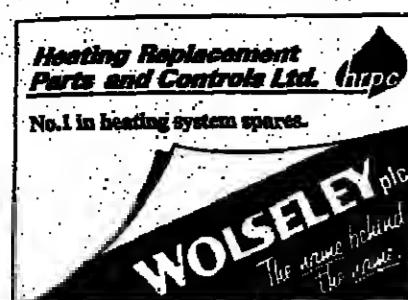
though he managed to obscure the fact by announcing elections to a largely meaningless "forum" at the same time. The Mitchell report requires participants in the talks to commit themselves to total disarmament of all paramilitaries, verified by an independent commission, and to forswear any attempt to influence the talks by use or threat of force, but not to implement decommissioning before talks start.

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Clinton's European advice might need some attention. He



FINANCIAL TIMES
COMPANIES & MARKETS

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Thursday August 28 1997

Week 35

De VERE HOTELS
Hotels of character,
run with pride.

IN BRIEF

Hagemeyer in all-share deals

Hagemeyer, the Dutch trading company, is to pay about Ff 1.25m (£635,400) in twin all-share deals to buy a Nordic electrical wholesaler from the Swiss-Swedish Assea Brown Boveri, and an Australian-based computer distributor from First Pacific, the Hong Kong group that is Hagemeyer's biggest shareholder. Page 12

Credit Suisse First Boston up 51%
Interim pre-tax profits at Credit Suisse First Boston, the investment banking arm of Credit Suisse, rose 51 per cent to SFr1.31bn (£87.3m), with revenues from securities and derivatives businesses growing about three times as fast as investment banking. Page 12

SA group in \$150m Europe expansion
Star-Kinekor, South Africa's largest cinema operator, has joined those investors building cinemas in Europe by revealing plans to spend \$100m on 30 multiplexes over the next three years. Page 12

ING to buy Furman Selz
ING Barings, the Netherlands-based bank, will today announce it has agreed to buy Furman Selz, a Wall Street brokerage. The deal would be the latest acquisition of brokerages and investment banks by large international banks and US retail banks. Page 13

WH Smith keeps options open
WH Smith, the UK retailer, refused to rule out the sale of the Virgin-Our Price record chain and admitted its new chief executive might undertake a strategic review of the retail group just over a year after the one conducted by Bill Cockburn, the former incumbent. Page 14

Vicenza tops Listings league
Vicenza, the Italian premier league football club acquired in June by a UK investment company, is set to become the first Italian club listed on the Milan stock market. Page 14

Fort Bonifacio sees sharp rise
Fort Bonifacio Development Corporation (FBDC), which owns the Philippines' largest property project, forecast a fourfold rise in net profits for 1997 and announced plans to launch a \$200m eurobond within the year. Page 13

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Wels.	17.5	Cap Gemini	380 + 16.8
West.	15	Cap Gemini S	681 + 16.8
Wels.	12.5	Project	681 + 16.8
Wels.	12.5	Pauli	
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Wels.	13.4	Segei Elec	680 + 47.5
Wels.	13.4	New Med Dev	530.0 + 10
Wels.	13.4	SHK Prog	97.75 + 1.5
Wels.	13.4	Shanghai Ind	510.0 + 2.5
Wels.	13.4	Pauli	
Wels.	13.4	Gucco Group	38.1 - 1.1
Wels.	13.4	Heng Sung Elec	102.0 - 1.5
Wels.	13.4	Bliese	
Wels.	13.4	Segei Elec	
Wels.	13.4	New Med Dev	
Wels.	13.4	SHK Prog	
Wels.	13.4	Shanghai Ind	
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COMPANIES AND FINANCE: INTERNATIONAL

Hagemeyer agrees twin all-share deals

By Gordon Crabb in Amsterdam

Hagemeyer, the Dutch trading company, is to pay about F1.1bn (\$641m) in twin all-share deals to buy a Nordic electrical wholesaler from the Swiss-Swedish Ases Brown Boveri and an Australian-based computer distributor from First Pacific, the Hong Kong group which has long been Hagemeyer's biggest shareholder.

Yesterday's announcement accompanied a 26.8 per cent rise in interim net profits to F1.141.2m and sent shares in Hagemeyer up 3.50 higher in Amsterdam to close at

F110.5. Revenues were 25.8 per cent ahead at nearly F1.462bn.

The company said it would acquire Ases Skanda, which has annual revenues of F1.1bn from operations in Sweden, Norway, Finland, Russia and the Baltics and that it was market leader in the wholesale distribution of electrical materials in countries including the UK, Germany and Switzerland.

Hagemeyer is also buying Tech Pacific, which it said had annual turnover of about F1.25bn and was market leader in distributing computer hardware, software and tele-

communications products in Australasia, Hong Kong, Singapore and Malaysia.

"With Tech Pacific, Hagemeyer enters an expanding and interesting market in the Asia-Pacific region and obtains access to specific distribution and logistics knowhow, which will enhance the further development of the whole group in this region," it said.

The region would bring in a quarter of total revenues next year, the group added. Although it gave no comparative figures, one analyst estimated the region's contribution for 1996 at 10 per cent.

Hagemeyer late last year took full control of HCL, a Hong Kong distribution venture set up in 1984 with the Anova group.

HCL markets consumer products and technical equipment from western and Japanese manufacturers.

That deal involved the issue of shares to Anova representing about 7.5 per cent of its equity, and the transactions announced yesterday are to be similarly funded.

Hagemeyer said, however, that in each case the acquisition would enhance earnings per share, which in the first six months rose from

F1.133 to F1.153. The interim dividend is 42 cents a share, up from 37.5 cents.

The Ases Skanda purchase price will be met by issuing up to 7.5m new shares in a private placement, expanding its equity by 8.2 per cent.

First Pacific is to receive about 5m shares for the unit it is handing over, or a further 5 per cent of the capital as enlarged through the Nordic deal.

The price for Tech Pacific, to be confirmed by a fairness opinion, was about 13 times expected earnings this year, Hagemeyer said.

Germany set for banks to consolidate

Bancassurance is back in vogue as restructuring gathers pace in Europe

Analysts of the German banking scene have been working overtime in the past few weeks. So have those who keep the rumour mill grinding. Ever since the two big Munich-based banks - Bayerische Vereinsbank and Bayerische Hypotheken- und Wechsel-Bank - announced plans to merge last month, the search has been on for who is next.

Speculation has been rife, with bank share prices continuing to soar until the stock market's latest setback. This week, however, brought some hard news in the form of a Swiss acquisition of a small German bank, highlighting the drive towards consolidation but giving no clues as to where the next big move will come.

With its agreed DM350m (\$19.1m) purchase of Schröder Münchener Hengst from Lloyds TSB of the UK Union Bank of Switzerland is filling in a small piece of the German banking jigsaw, mainly on the asset management and private banking side.

But most of the big pieces have yet to be placed. So the speculation about which bank is stalking which continues. Last week, for example,

saw a spate of stories about Commerzbank, with UK, Swiss and German banks all named as possible predators.

With no big shareholders to protect it and the perception that it has strategic deficits in such areas as investment banking, Commerzbank looks vulnerable, some analysts say. Buying Commerzbank would not be cheap - its market capitalisation is around DM25bn.

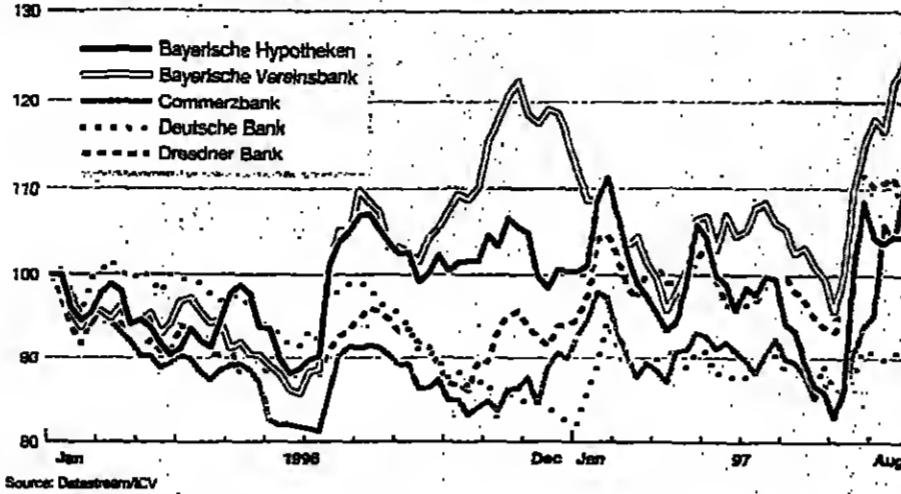
It has held talks with possible partners in the past and some analysts strongly believe Deutsche Bank, Germany's biggest bank, has Commerzbank in its sights.

But other moves are also afoot at the big Frankfurt banks. Dresdner Bank, currently number two in terms of market capitalisation, is keeping its eyes peeled for a possible US investment banking target, as well as seeking further asset management purchases in the UK. Deutsche Bank has announced its interest in a French acquisition and wants to expand its German insurance interests.

"I think change will happen fairly quickly," says Neil Crowder, European banking

Mergers and market murmurings

Share prices relative to the DAX Index



Source: Datamonitor/ICV

analyst at Goldman Sachs. "This will not just affect Germany, but Europe as a whole." Increasingly, the banking community believes a period of rapid change is approaching.

Dietrich Hein, banking analyst at Commerzbank, points to the concentration taking place across the world in financial services and industry, a process in which Germany still lags behind. With banks and insurance companies encroaching increasingly on each other's territory, notably in asset management, Allianz (or bancassurance) - the notion of combining banking and insurance activities, much in vogue in the 1990s - could see a revival, he believes.

Dresdner has said it

planned to work more closely with Allianz, the insurance group which has a 22 per cent stake in the bank. Allianz is also believed to be keen to expand, possibly in France. Munich Re, owner of 25 per cent of Allianz which in turn has a

stake of the same size in the reinsurer, has been actively reshaping its insurance interests and may be ready for another move.

According to one German banking executive: "We're entering a year to 15 years of fairly active consolidation in European banking, where you have to decide whether you're a player or not." Forcing the pace of change is the approach of the European single currency, shrinking margins on traditional lending, growing pressure by investors and savers for higher returns and the need to service changing corporate needs at a time of industrial restructuring.

The recent merger agreement between Credit Suisse, the big Swiss bank, and Winterthur Insurance has further alerted bankers to the enormity of the changes going on around them. "Two or three years ago, there was a very cosy relationship among all the financial giants in Germany," says Mr Crowder. "Now, this is breaking down."

All sorts of possibilities are raised by this development. Mr Hein sees Allianz as the nucleus of a large financial grouping, based on its 22 per cent stakes in Hypo-Bank and Dresdner. "Deutsche Bank cannot just sit idly by and watch."

The Bavarian merger has worsened Deutsche's strategic position in the face of accelerating concentration, he believes. "The number of possible partners has decreased, prices have risen and Allianz has extended its area of influence." Against this "we can wait eagerly for the next move by Germany's highest bank in the 'power poker' with Allianz."

But it is not only in Frankfurt and Munich that the stakes have been raised. Berliner Bankgesellschafts' talks with Norddeutsche Landesbank raise the prospect of yet another force in German banking. Stephan Schöller, a Vereinsbank director, says: "I believe we shall see some very unexpected and strategic moves in the near future."

United Cinemas International, a chain owned jointly by Seagram and Viacom, the North American entertainment groups, is expanding at a similar pace in Germany, Austria and Poland. Gaumont, one of France's larger cinema chains, is expanding into eastern Europe.

A recent report by Dodona, the specialist research consultancy, forecasts that the number of cinema screens in Europe would increase by at least 2,000 to more than 22,000 by the end of the decade. Dodona estimates that nearly 1,400 new screens have opened across the continent since 1990.

In spite of this investment and growing competition for multiplex locations, Mr Ross said he believed there was still scope for expansion in the European cinema market.

Star-Kinekor Europe, controlled by Kersf Investments, the South African leisure company which last month sold control of Star-Kinekor's South African interests to the Primedia group, has already secured seven sites for development. These include 16-screen complexes in Ireland and the UK. Mr Ross said Star-Kinekor would concentrate on cinemas in multipurpose entertainment centres, as it did in South Africa.

Andrew Fisher

CSFB jumps 51% mid-way to SF1.3bn

By William Hall in Zurich

Credit Suisse First Boston, the investment banking arm of the Credit Suisse Group, increased first-half pre-tax profits by 51 per cent to SF1.31bn (\$880m).

Revenues from securities and derivatives businesses grew roughly three times as fast as corporate and investment banking.

The growth in CSFB's profits, which contributed 58 per cent of group revenues, was fuelled by big increases in the profits of fixed-income, equities and Credit Suisse Financial Products, the derivatives business.

Credit Suisse said revenues and profits recorded

higher rates of growth than most industry competitors, even after adjusting for the effects of the dollar depreciation.

The results are the first since Lukas Mühlmann took over as chief executive of the Credit Suisse Group at the start of the year.

Credit Suisse had indicated that its net profits had risen 70 per cent to SF1.4bn when it announced its proposed merger with Winterthur, Switzerland's third largest insurer, just over a fortnight ago.

However, yesterday's figures, which were much more detailed than those published before, gave the first glimpse

of Mr Mühlmann's progress in cutting costs and re-allocating capital within the group.

Credit Suisse shares, which had fallen by 16.5 per cent since the Winterthur deal was announced, rose SF1.5 to SF1.75bn yesterday.

The group's efforts to turn round Credit Suisse, the loss-making domestic subsidiary, are starting to bear fruit: the division's revenues rose 6 per cent to SF1.36bn; operating expenses fell 6 per cent to SF1.12bn; and the pre-tax loss was cut from SF1.34m to SF1.77m.

However, the cost income ratio of 88 per cent is still much higher than the

group's target of 65 per cent. Credit Suisse Private Banking increased its pre-tax profits 30 per cent to SF1.82m, helped by a 15 per cent rise in revenues to SF1.77bn. Operating expenses increased 3 per cent to SF1.30m.

Bank Austria, Austria's biggest, has finalised the exchange offer for the minority of the shares of Creditanstalt, its main rival, which it took over this year.

Creditanstalt shareholders will receive four ordinary or preferred shares in Bank Austria for every three Creditanstalt ordinary or preferred shares.

The exchange offer has been pitched at the high end of expectations and is based on the view that a single share in Creditanstalt was worth 1.333 Bank Austria shares.

The shares of both banks were suspended ahead of yesterday's news, with Bank Austria's preferred shares, its most widely quoted security, closing at SF1.42. Its thinly traded ordinary shares closed at SF1.02.

Creditanstalt's ordinary shares closed at SF1.739 and its preference shares at SF1.610.

Gerhard Randa, Bank Austria chief executive, said he hoped the enlarged group would soon further simplify its share structure by moving to a single class of share.

Agencies, Oslo

Israeli economy behind Koor fall

By Judy Dempsey in Jerusalem

Koor Industries blamed the slowdown in the Israeli economy and loss of contracts with Bezeq, the state-controlled telecommunications network, for the fall in its net income for the first six months of the year.

But Israel's largest industrial holding company increased exports by 22.2 per cent over the same period, from \$613.2m to \$748.5m, following investments in telecoms and agrochemical companies in Latin America and Spain.

Net income fell from \$118.4m, or \$8.63 per ordinary share, to \$88.6m, or \$5.87.

The comparisons include a capital gain of \$21m in the second quarter of last year from the initial public offering of shares of Tadiran Telecommunications, a unit of Koor's 64 per cent-owned subsidiary Tadiran, and a gain of \$28m this year.

Koor said its profitability was "considerably moderated" by the gains.

Operating income over the same period fell from \$194.3m to \$161.9m. Revenues grew 3.2 per cent from \$1.74bn to \$1.79bn.

Benjamin Gaon, chief executive of Koor, said the sluggish economy as well as uncertainty over the peace process had affected earnings.

Growth in gross domestic product

Government picks new Maruti chief

By Amy Louise Kazmin in New Delhi

During the first half of the year was only 1.8 per cent against 4 per cent in the earlier period.

The treasury had forecast a growth rate of 2.5 per cent for 1997.

In spite of the drive to increase exports, which accounted for 41.3 per cent of total sales compared with 34.9 per cent in the first half of last year, Koor's three core businesses - telecoms and electronics, agrochemicals and building materials - are still heavily dependent on the domestic economy.

Its construction division has been particularly hit by a 21 per cent decline in building start-ups over the first half.

Koor, which also has interests in hotels, has been hit by a 15 per cent fall in tourism because of last year's bombs and the recent suicide bomb attack on a Jerusalem market.

Analysts say Koor has undertaken the Tel Aviv stock market since the start of the bull run last October.

This may change when Claridge Israel, the investment group which bought a 10 per cent stake in Koor from Shamrock Holdings of the US, with an option to purchase a further 10 per cent, announces its strategy for the company.

Last month, Koor's main shareholders said they would explore a spin-off or disposal of part of its subsidiaries.

The Indian government has selected a company veteran as managing director for Maruti Udyog, the car manufacturer that dominates the Indian passenger car market, after a tussle with Suzuki. Its joint venture partner.

The Japanese carmaker is said to have favoured a more market-oriented candidate to steer Maruti through a new era of fierce competition.

R.S.S.L.N. Bhaskarudu, whose 14 years at Maruti have been spent primarily on production, projects and materials procurement, was chosen by India's industry Ministry.

Under the 1992 joint-venture agreement, the government and Suzuki turns to choose the managing director. Suzuki's consent was not required.

Suzuki, which has nominated R.C. Bhargava, the previous managing director, as part-time chairman, did not comment on the appointment's silence, and the fact that the appointment was not announced until the last moment, are seen as the latest signs of strain in the relationship between the joint owners.

A much-needed \$428m expansion plan was delayed for almost a year owing to a disagreement over funding. Suzuki had sought an equity offering, but the Indian government

resisted the move to dilute its holdings.

The partners agreed to raise money via internal accruals and debt to build a paint shop, upgrade existing models and add engine manufacturing capacity.

Amit Mukherjee, a joint secretary in India's Department of Heavy Industries and a government appointee to the Maruti board, said Mr Bhaskarudu was picked for his "wealth of experience".

In spite of the intense speculation surrounding his appointment, Mr Bhaskarudu expressed confidence about the future. "We will all work together to take the company to greater heights," he said.

The new managing director will

take over at a challenging time for the 14-year-old company. After years of enjoying a near monopoly on small cars, Maruti must defend its position against rivals such as Daewoo of South Korea and India's own Tata Engineering and Locomotive Company. Both are planning models that could erode Maruti's estimated 70 per cent market share.

Nominations for chairman and managing director must be formally approved by the annual meeting, due on September 22. Indian officials had sought to hold the AGM yesterday, immediately after the board meeting, but Suzuki representatives refused, saying they had not been given enough notice.

Agencies, New Delhi

INTERNATIONAL NEWS DIGEST

Eurotunnel plan put before court

Disgruntled shareholders in Eurotunnel, the troubled cross-Channel rail operator, will on Monday mount a challenge in a Paris court to the company's \$2.5bn (\$1.65bn) restructuring plan. George Berizzi, a lawyer representing Adacte, the Eurotunnel shareholders' association, will argue that the plan is illegal under French law on at least two grounds.

He said yesterday he would challenge the debt for equity swap arranged by banks under the plan, arguing that the deal is being carried out at the nominal value of the debt, rather than the true value - which is lower and fluctuating - at which the loans have been trading on the secondary market.

He claimed the restructuring deal was also a concert party between the creditor banks, and that under stock market regulations they should be required to make a full tender offer for all of Eurotunnel's shares. His objective, and that of Adacte, is to force Eurotunnel's creditor banks to renegotiate the restructuring package, improving the residual value left to shareholders by writing off at least an additional \$1.6bn (\$1.3bn) in debt.

Falling that, he has argued Eurotunnel should be placed in the hands of the French bankruptcy courts, which he claims would lead

COMPANIES AND FINANCE: INTERNATIONAL

ING poised to buy Furman Selz

By John Authors
in New York

ING Barings, the Netherlands-based bank, is set to announce today it has agreed to buy Furman Selz, a Wall Street brokerage, for a price probably in excess of \$25m.

The deal would be the latest acquisition of brokerages and investment banks by large international banks and US retail banks, and takes advantage of a liberalisation in the rules for cross-ownership announced by the Federal Reserve this year.

Neither ING nor Furman

Selz, which is privately held, were prepared to comment yesterday on speculation that an announcement was imminent. However, the board of managers at ING, which would decide on the acquisition, was understood to be due to meet this morning.

The acquisition is likely to be similar to others already announced this year and to include delayed payments over up to five years which would be paid into a fund. This would ensure retention of senior personnel, a key issue when buying an investment bank.

Furman Selz was founded in 1973 and has about \$10bn assets under management. It has a strong reputation on Wall Street for its equity research, which would be one of the most valuable prizes for ING. It also offers a balanced range of investment banking services, including mergers and acquisitions.

Furman Selz would sharply improve ING's capacity to distribute equity in the US, where there is still buoyant demand from institutional and private investors for shares in initial public offerings.

If confirmed, the deal would mark the seventh acquisition of a securities firm by a commercial bank since March when the Fed changed its rules.

The change was regarded as one of the most significant alterations yet made to the so-called Glass-Steagall Act of 1933, which barred retail banks from deriving earnings from securities.

The Fed now allows the banks to regulate to derive up to 20 per cent of their income from a "Section 20" subsidiary, which can underwrite securities.

ING is following Swiss

Bank, which outdid it to buy Dillon Read this year, and Canadian Imperial Bank of Commerce, which bought Oppenheimer, both Wall Street securities firms. Analysts expect more acquisitions by large international banks keen to gain a strong hold in the booming US securities industry.

Several acquisitions have been made by large US retail banks aiming to broaden the range of corporate finance products they can offer, and thus avoid losing medium-sized corporate clients once they wish to float on the market.

Top-level shake-out at Habib Bank

By Farhan Bokhari
in Karachi

Pakistan's state-owned Habib Bank is planning to restructure its top management, cutting almost by half the number of layers and substantially reducing the number of its divisions.

The move is the latest in a series of measures to reduce Habib's 32,000 workforce by almost a third.

The restructuring plans were set in motion this week when 1,100 senior staff members, including 140 senior vice-presidents and 300 vice-presidents, were forced to retire.

Habib has also offered a voluntary redundancy package to its employees, who have until September 10 to accept.

Shaukat Tarin, president, said in an interview yesterday that he planned to reduce the number of layers of management in the next phase of reforms.

He said he wanted to have

INTERNATIONAL NEWS DIGEST
Chip arm holds back Nan Ya

A loss at its microchip arm held back growth in first-half profits for Nan Ya Plastics, the Taiwanese petrochemical concern, masking strong operating gains in electronics and polyester in the six months to June 30 turnover climbed from T\$4.3bn a year earlier to T\$4.8bn (US\$1.6bn), while pre-tax profits edged up from T\$4.2bn to T\$4.3bn. The company attributed the increase to higher profits in printed circuit boards and chemical fibres. Sales rose mainly as a result of increased sales of printed circuit boards and plastics products. Nan Ya Technology, which makes DRAM (dynamic random access memory) chips, saw first-half losses of T\$370m. The chip arm is expected to break even in the fourth quarter of this year.

Operating income jumped nearly 22 per cent, chiefly because of expanding output of copper-clad laminates and printed circuit boards. Analysts predict net profits will climb 7-10 per cent in 1997 and 35 per cent in 1998.

Laura Tyson, Taipei

■ HONG KONG

Television Broadcasts up 15%

Television Broadcasts, Hong Kong's largest broadcaster, yesterday announced net profits of HK\$205.3m (US\$26.5m) for the six months to the end of June, a rise of 15 per cent, and gave an optimistic forecast for the full year. "In the local economy we see signs of continued improvement in advertising spending and expect continued progress in profits during the second half," said Sir Run Run Shaw, chairman.

Turnover during the period totalled HK\$1.47bn, compared with HK\$1.33bn in the first half of 1996. Earnings per share climbed from 42 cents to 49 cents, while the interim dividend was held at 20 cents.

John Riddings, Hong Kong

■ PAY-PER-VIEW

INL in NZ\$308.9m takeover

Independent Newspapers Limited, the publisher controlled by Rupert Murdoch's News Corporation, is to take effective control of Sky Television, New Zealand's dominant pay-to-view media channel. INL is paying NZ\$308.9m (US\$199m) for 147m shares, or 48 per cent of the company, valuing the channel at NZ\$643m.

Sky has yet to make a profit but is expected to make a modest one this year after last year's NZ\$26m loss. Mike Robson, INL managing director, said the decision to buy no more than 48 per cent was due to a desire to keep the purchase off the company's balance sheet. INL is buying the 51.18 per cent in Sky owned by the HKT Partnership, a consortium that includes Time Warner, TCI, Bell Atlantic and Ameritech. It will then resell 3.12 per cent to other Sky shareholders.

Terry Holl, Wellington

■ THAI BANKING

Siam City to double capital

Shares in Siam City fell 10 per cent to Bt9 on news that the Thai bank is doubling its capital to Bt12b (US\$35bn). Siam City is to issue 569m new shares at 10 baht per value.

The bank said it would use the proceeds to extend long-term loans to the industrial sector. "The capital increase shouldn't come as a surprise, because Siam City has among the lowest capital adequacy ratios in the sector," said Steve Slioman, banking analyst at Nava SC Securities Asia.

AP-DJ, Bangkok

■ TAIWANESE MICROCHIPS

Groups cushion first-half losses

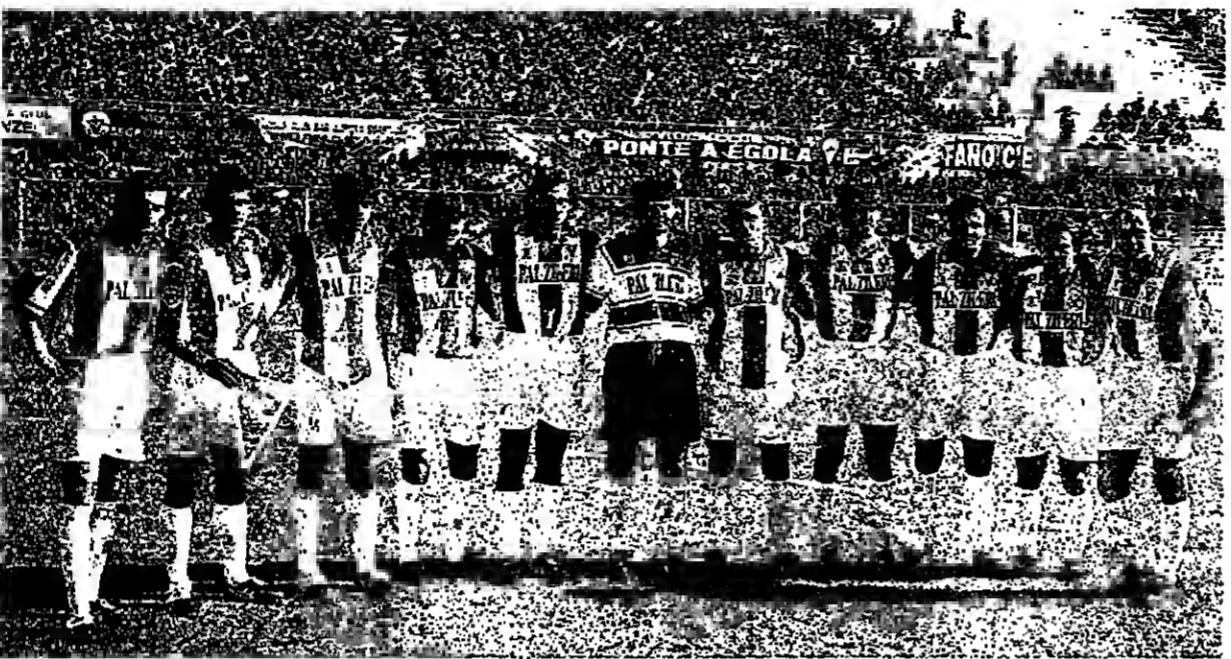
Taiwanese chipmakers cushioned first-half operating losses caused by a cyclical decline in the semiconductor industry with profits from the country's booming stock market.

Pakistan's two other public sector banks, United Bank and National Bank, are expected to announce similar shake-outs in coming weeks.

The plan is considered vital for Pakistan's efforts to reform its public sector banks and prepare them for privatisation by the government's deadline of early next year.

Net profits at Macronix, another leading Taiwanese chip maker, fell 72 per cent in the first half from T\$1.8bn to T\$232m. Turnover dropped from T\$6.3bn to T\$3.9bn. On August 19, the company lowered its 1997 pre-tax profit forecast 50 per cent from T\$2.6bn to T\$1.3bn, pointing to competition and price fluctuations.

Laura Tyson



Ready for action: Vicenza, one of Italy's few profitable first division clubs, hopes to be listed within 12 months

Vicenza ahead in listing game

By Paul Betts in Milan

Vicenza, the Italian premier league football club acquired in June by a UK investment company, is set to become the first Italian club listed on the Milan stock market.

The club, the first in football-crazy Italy to fall into foreign hands, has called a shareholders' meeting for September 12 to approve a capital increase and prepare its application to Consob, the Italian stock market watchdog, for a listing on the Milan bourse.

The increase will raise the club's capital from L7.5bn (US\$2.7m) to at least L10bn, the minimum required for a stock market listing.

Stephen Julius, managing director of Stellacan, the London-based investment

company which acquired the club for L22.7bn, said yesterday that the Italian IMI Slego investment bank had been given the mandate to prepare the club for flotation.

"We are still at the early stages of a long procedure but we hope to be listed within the next 12 months," he said.

Several bigger and more famous Italian clubs such as Bologna, Juventus, Inter, AC Milan, and Lazio are considering listings in London or Milan, but Vicenza is in pole position because it is one of the few profitable first division clubs in Italy.

Under Italian stock market rules, a company must show profits for three consecutive years before it can be listed. Vicenza broke even in

1994/95, made a profit of L3.2bn in 1995/96 and is expected to make a similar profit in 1996/97.

The club does not expect the 1994/95 figures to pose a problem for its application. In any case, the Italian stock market, to be privatised next month, is expected to change the current listing rules to attract more companies.

Mr Julius said Vicenza was opting for the Milan rather than the London market because an Italian listing would make it easier for local fans to buy shares.

Vicenza last season came eighth in the Serie A (the Italian premier league) and won the Italian cup.

It is based in the rich, north-eastern region of the country.

Fort Bonifacio sees sharp rise

By Justin Marozzi in Manila

Fort Bonifacio Development Corporation (FBDC), which owns the Philippines' largest property portfolio, yesterday forecast a four-fold rise in net profits for 1997 and announced plans to launch a \$200m eurobond within the year.

Ricardo Pascua, president and chief executive, said he expected profits to leap from 1.1bn pesos to at least 4.2bn pesos (US\$140m).

Most of the year's revenues would come from the part-payment of 15.4bn pesos from last year's 16.4bn pesos. This sale represented the original five-year sales target, giving FBDC more control over the choice of future corporate tenants, he added.

The upbeat forecast comes as the Manila stock exchange - which is heavily weighted towards property stocks - struggles to combat bearish sentiment in south-east Asian bourses. The market closed down again yesterday and the peso sank further to reach a record low against the dollar.

Fort Bonifacio is an ambitious 214ha project intended to replace Makati as Manila's leading central

business district. FBDC is a joint venture between the government and a private-sector consortium led by Metro Pacific, the Philippine arm of Hong Kong's First Pacific group.

Mr Pascua said Merrill Lynch and Bankers Trust, the US investment banks, would be joined by Philip Morris National Bank as advisers for the \$200m eurobond issue. "We would like to introduce ourselves to the capital market, both locally and internationally. We want to go with it within the year," he said.

Proceeds would go towards infrastructure and utility development.

An analyst in a foreign brokerage said raising debt on the capital markets was now the best option for Fort Bonifacio. "They're trying to stop selling land now because they don't like prices, but they still need to finance the horizontal development of the project. This \$200m eurobond will really be a testing ground and set the trend for how they can mobilise debt."

The portfolio will be subject to periodic review to ensure that the businesses are "internationally competitive". FBDC also plans to forge technical and management alliances with foreign companies.

Indian tobacco group refocuses

By Kunal Bose in Calcutta

ITC, India's largest tobacco group, is reorganising its businesses to focus on cigarettes, travel and tourism, packaging and paper.

ITC, which is 33 per cent owned by BAT Industries of the UK, made the mistake of diversifying into financial services, international trading and edible oils when the economy was closed.

Yogesh Chander Deveshwar, chairman of ITC, said yesterday at the company's annual general meeting.

"Instead of being in too many things which are not sustainable in the present business environment, we will be focused on businesses where we can compete effectively and build a dominant market position," he added.

The globalisation of the Indian economy and fierce competition have led management to "identify the core businesses to support in the future". Mr Deveshwar said that he would like to bail out the separately listed companies, which would take about three years.

ITC has reached an agreement with BAT on the manufacturing and marketing in India of two of its leading brands, 555 State Express and Benson & Hedges, but the deal is awaiting approval by the federal government.

Mr Deveshwar said local manufacture "will help curb the smuggling of foreign cigarettes into the country. India suffers a foreign exchange loss of Rs8bn (\$85m) because of smuggling of cigarettes."

Both BAT and ITC will have to invest heavily to develop the brands in India.

Net profits in 1996-97 were up 33 per cent to Rs3.47bn on turnover ahead 14.61 per cent to Rs8.63bn. Operating cashflow doubled to Rs1.99bn.

Mr Deveshwar forecast strong growth in sales and profits in the first half to end-September.

in non-core areas, ITC hopes to bring in foreign partners, with a view to selling its stakes in its two troubled associates, ITC Classic Finance and ITC Agro-Tech. However, Mr Deveshwar said that as a good corporate citizen ITC would try to bail out the separately listed companies, which would take about three years.

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The Leading Edge in Asia Pacific

Dong Ah Construction Industrial Co., Ltd.

WHS keeps record chain options open

By Christopher Price

W.H. Smith yesterday refused to rule out the sale of the Virgin/Our Price record chain and admitted its new chief executive might wish to undertake a strategic review of the retail group just over a year after the one conducted by the former incumbent, Bill Cockburn.

However, Jeremy Hardie, chairman, said all the candidates interviewed for the vacant post had expressed

support for the management's strategy and he did not expect the victor to undertake a review immediately. But he added: "I would not be surprised if after six months, or if she said to me 'I want to change things'."

Mr Hardie refused to be drawn on when the chief executive post would be filled, except to confirm the candidature of Stuart Rose, the former Burton executive, and three internal applicants.

His remarks came as the group unveiled a return to the black, reporting annual pre-tax profits of £51m (£83m), against losses of £194m the year to May 31 1996. Before exceptional items, Smith made profits of £124m, a rise of 38 per cent, on flat sales of £2.76bn.

He said the future of Virgin/Our Price was undecided. Four months ago the company rejected an offer of £135m from Virgin Group, its minority partner, for the 75

per cent of the venture owned by Smith. Although Smith has an option to buy Virgin out in 1998, Mr Hardie said: "Who can say what will happen then?"

However, the question mark over the record chain will fuel speculation over the possible break-up of the group. Keith Hamill, the group's finance director, who has withdrawn from the chief executive race, said yesterday there was no break-up plan.

NEWS DIGEST

Kalamazoo backs US rescue plan

Kalamazoo Computer Group yesterday warned it would be close to breaching its banking facilities unless shareholders approved a £17.7m (£28.9m) cash injection by Reynolds and Reynolds of the US.

Kalamazoo, which specialises in computer systems for motor dealers, said it was facing first-half trading losses of about £3m but would return to the black in the second half. The losses would be offset by an exceptional £3.4m profit from the sale of its printing division to Adare Printing last month.

The Birmingham-based company blamed its losses on the high cost of developing a second generation of its flagship Elite software. Reynolds, which also specialises in computer systems for motor dealers, is subscribing at 100p a share for 13.6m new Kalamazoo shares as part of a package including an alliance in product development and sales.

It is also tendering for 2.93m existing shares at 100p, which would give it a 36.5 per cent stake in Kalamazoo. However, there are restrictions on the US group increasing or selling its stake in the next two years. The shares closed up 94p at 85p.

The US company would become the second largest shareholder after the Kalamazoo Trust, which currently holds 40 per cent of the shares on behalf of past and present employees.

Richard Wolfe

Mixed signals from Marley

Second-half profits at Marley, the building materials group, would be at similar levels to the same period last year, David Trapnell, chief executive, said yesterday.

His remarks sent mixed signals to the City, despite an 11 per cent rise in operating profits to £28.8m (£45.5m) for the six months to June 30. A number of analysts downgraded their full year pre-tax profit forecasts to about £50m after a meeting with the company to discuss

The shares fell 54p to 1054p. Mr Trapnell later protested that the reaction to his comments were exaggerated and said the outlook for the year was positive.

Deprived of a £2.6m gain from the sale of its automotive components business in the same period last year, Marley's pre-tax profits fell 61 per cent to £24.5m. Stripped of exceptional profits rose 19 per cent. That was despite a £2.3m penalty imposed by the strength of sterling. Marley earns almost three-quarters of its profits outside the UK.

By region, operating profits showed double digit gains in the US, Germany and the UK. In New Zealand, however, weak demand from the agricultural sector depressed profit margins.

The company had net debt of £71m. Gearing was 24 per cent on June 30, although Mr Trapnell said this has since risen to more than 30 per cent after the purchase earlier this month of Flexco, a US flooring business, for £38.2m.

Emiko Terazono

British-Borneo stake buy

British-Borneo Petroleum Syndicate, the oil exploration company, has acquired a majority interest in a field under development in the Gulf of Mexico. It is paying \$37.5m for the 60 per cent interest in the Allegheny Field.

Development of the cost of Louisiana, which will operate.

The partners are taking over the field from Enserch Exploration and Mobil Exploration & Producing, both of which held 40 per cent stakes. Reading and Bates is raising its stake from 30 per cent.

British Borneo estimated that the Allegheny Field reserves amounted to 52m barrels of oil. The company believes there is potential for it to book 31m barrels of oil as a result of the acquisition.

British Borneo shares closed up 14p at 473p.

James Blitz

Restructuring buoys Ulgland

Ulgland International Holdings nearly doubled first-half profits after a restructuring last year focused the shipping group on its core activities.

However, underlying earnings per share fell by a quarter to 4.6p because of the dilutive effect of last year's \$54.4m placing to acquire seven car-carrying ships.

Pre-tax profits for the six months to June 30 were \$5.22m (£10.1m), up 94 per cent on last year's \$3.21m, on revenues ahead 57 per cent to \$27.3m.

Ulgland's new vehicle carrier division, which ships cars for manufacturers, contributed profits of £10.7m (£56.9m) on turnover of £18.55m (£1.58m like-for-like). The other core business, refrigerated (reefer) vessels, contributed £2.97m (£3.67m) on turnover of £18.7m (£1.7m).

Liner services lost £2.8m and container carriers was \$23.000 in the red, including an exceptional loss of \$749,000 on the disposal of Ulgland International Norway.

Jonathon Palmer, chief executive, said the group intended to sell the liner services business.

Huge sea-worthy
Third
Wor

Concern over GEC shares plan

By Chris Gresser

The General Electric Company has run into concern from some institutional investors over a new share option scheme for its most senior executives.

Last year, the company toughened up an incentive package for its new managing director, George Simpson, to quell a damaging shareholder revolt.

Part of the new share option scheme, for which Mr Simpson will not be eligible, has drawn fire from a number of investors, who describe the performance cri-

teria as too soft.

Under the proposals, certain options will be exercisable on a sliding scale from 35 per cent to 100 per cent, if GEC's performance over any consecutive five-year period places it between the 50th place) and the top 25 per cent relative to the FTSE 100 companies. The criterion used to measure performance is total shareholder return, which is the increase in share price plus dividends.

The investor continued: "We are concerned about this. Our position at the moment is that we are minded to vote against this scheme".

Another smaller institu-

tion, NPI, said it was voting against the scheme. "We object to this 35 per cent level on average performance. It's not good enough."

A number of other institutions, however, backed GEC. One said: "Our view is that we would rather have this scheme in place than not."

GEC said it had the "endorsement" of some of its largest shareholders, although not enough proxies to carry the vote, to be taken at the annual meeting on September 5.

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Keller restricted by strong pound

By Emiko Terazono

The strength of sterling affected profits at Keller, the ground engineering specialist, restricting the first-half pre-tax outcome to a 2.2 per cent rise to £4.7m (£7.7m).

Although turnover and operating profits rose by 10 per cent in local currency terms, the rise in the pound led to translation costs of £300,000, said Rob Painter, finance director. Translation

costs for the full year are expected to total £600,000 if the pound remained below DM8, he said.

Revenues for the six months to June 30 rose 1.7 per cent to £117m. Operating profit margins remained almost flat at 4.2 per cent.

Keller said the strength in the US and UK markets had offset weakness in continental Europe. Difficult market conditions in Germany, including intense competi-

tion in Berlin, hit profit margins firm at 7.9 per cent.

The company expects conditions in Germany to stabilise in the second half, with an improved performance from its continental European division.

Dresdner Kleinwort Benson, the house broker, is forecasting full-year pre-tax profits to rise 6.4 per cent to £13.3m (£12.5m).

The shares yesterday fell 5p to 235p.

Lex, Page 10

French merger lifts Kalon

By Roger Taylor

Kalon, the paints group, announced its intention to focus more aggressively on sales as it reported a 12 per cent drop in turnover in the first half.

However, savings from its 1995 merger with Euridep of France were ahead of expectations, and this had more than offset the downturn in sales, helping it produce a 24 per cent increase in pre-tax profits to £2.4m (£30.8m) for the six months to June 30.

Mike Hennessy, managing director, said the company predicted cost savings of £10m a year, but yesterday he said it would beat this achieving savings of £14.5m by the end of this year and £22.5m by the end of 1998.

Kalon has closed three factories in the UK and reorganised its distribution in France.

emphasis on marketing and brand development. With gearing reduced to 21 per cent, it had the necessary resources to expand, he said.

Most of the downturn in sales was the result of the high level of sterling. Excluding this, turnover was down just 2 per cent.

Profits were lifted by a strong improvement in operating margins as a result of the restructuring following the merger with Euridep, formerly part of Total.

At the time, the company predicted cost savings of £10m a year, but yesterday he said it would beat this achieving savings of £14.5m by the end of this year and £22.5m by the end of 1998.

These included acquisitions in new markets such as Germany, the development of more sales outlets for trade buyers, and greater

slow-moving, they say.

The creeping nature of change is partly because of the actuarial basis of the industry. Actuarial valuations of pension funds, which assess liabilities and the assets needed to meet them, are carried out once every three years.

This system was described by one fund manager as providing an in-built lagging device slowing shifts in asset allocation.

The arcane calculations used to value the funds have been made even more complicated by the minimum funding requirement demanded by the 1995 Pensions Act and passed earlier this year. This will force funds to match future assets and liabilities and is designed to prevent funds from falling below a minimum threshold.

Until the ACT change these calculations were based on the gross returns from shares. The Budget changes have thrown the industry into turmoil as actuaries wait to hear how they should treat the long-term returns of equities.

As significant shifts in pension fund allocations typically cost millions of pounds, consultants believe that some pension funds are waiting for the next revaluation to fully compute the impact of the ACT cut.

Companies are also expected to refinance with a greater proportion of debt to equity as debt becomes relatively cheaper.

UBS, the brokers, argued in a report last week that up to £100bn could be spent by British companies in share buy-backs over the next few years.

The main reason for the market's apparent fall-off is to support the predictions so far is that pension funds are inherently

a 42 per cent increase in profits to £44m on sales up 5 per cent at £228m.

The results came at the bottom end of market forecasts, largely because of a larger-than-expected pension write-off. Smith wrote off a £78m pension pre-payment, built up on the balance sheet thanks to a pension holiday.

While he admitted some shareholders had questioned the company about the issue, none of the group's big institutional investors had raised the matter.

The results showed a 5 per cent increase in the high street business, to £43m on sales 1 per cent higher at £788m. Waterstone's book chain reported an 11 per cent increase in sales to £200m with profits rising 33 per cent to £29m. The wholesale newspaper division produced

Lex, Page 10

costs for the full year are expected to total £600,000 if the pound remained below DM8, he said.

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The submissions of Expressions of Interest will be evaluated, and short-listed teams will be invited to submit comprehensive proposals.

The submissions must specifically address the requirements set out in the Request for Expressions of Interest documents. Submissions must be received by October 21, 1997.

Information: Phone: 604-660-1516 Internet: www.lionsgateproject.com

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FLEMINGS

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TECHNOLOGY

Huge sea-worthy bags offer a solution to water shortages, writes Marcus Gibson

Thirsty work

Giant sea-going barges, 100m long and made of polyurethane and PVC just 1.5mm thick, will transport large quantities of fresh water later this year from Turkey's southern port of Antalya westward to the country's drier regions.

The vessels were designed and built by Norwegian Water Supply (NWS), based in Oslo, and may be the beginning of a new global industry in clean water transport.

For the past two years NWS has been toying bags of water up and down the 200km Sogne Fjord near Bergen, the longest and deepest stretch of water in Norway, to assess which materials could withstand the enormous physical stresses involved.

It also needed to master the sea-handling qualities of a wafer-thin bag containing 10,000 tonnes of water. "We had no idea what the turning circle of such a craft might be," says Jan Halvorsen, NWS's managing director. "Nothing on this scale has ever been attempted before."

Although the thin plastic was not new, the Norwegians developed and patented a method of welding the material on the scale required.

"Even though it is very thin it has the strength of steel when

stretched," says Mr Halvorsen. NWS has orders for up to eight vessels from Turkey, whose ministry of hydropower and water supply jointly funded the \$10m (\$8m) research project.

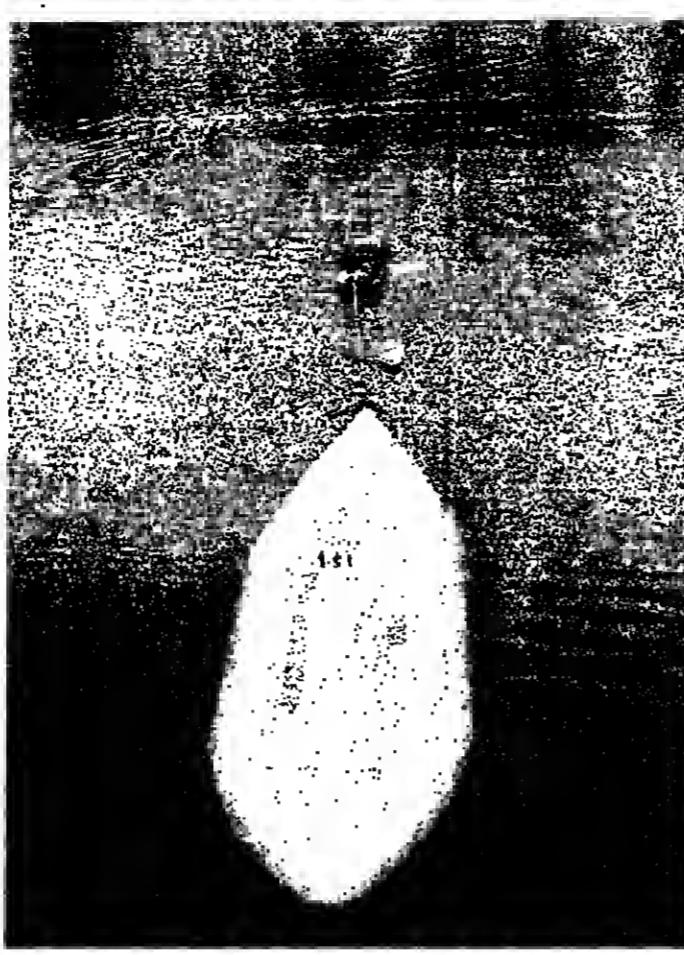
Although the first two vessels will be just over 100m long, later variants in the Turkish order will be far bigger, and capable of carrying 30,000 tonnes of fresh

'One source is an underground river of exceptional purity... People have drawn from it since Biblical times'

water. Yet the plastic material will be only 0.5mm thick.

When empty, the vessels can be rolled up and transported by road in standard soft containers. Each vessel weighs just nine tonnes, except for the steel section which links it to a tug.

At first the Turks intend to serve their own domestic needs, but hope to supply eastern Mediterranean countries such as Israel, Syria and Lebanon, whose water supply problems are often acute, and can be the subject of cross-border tension.



In the bag: a seafaring wafer-thin container can carry 10,000 tonnes of water

Turkish engineers have already identified a number of water sources around Antalya with an almost limitless capacity. "One is an underground river of exceptional purity," says Mr Halvorsen. "People have drawn from it since Biblical times." Pumping water into the vessels moored along the coast has not proved a problem. NWS harnessed the off-

shore engineering expertise of Intercosert, another Norwegian company, which has long experience in constructing floating buoy stations for the North Sea oil industry.

During tests last year, NWS pumped in the outflow from the Aurland power station on the Sogne Fjord. "This one power station alone has a capacity of 700m

tonnes of water a year," says Mr Halvorsen.

Norway's southern fjords, although much closer to potential markets, contain water that is more acidic, with the possibility of trace contamination from pollution. "We can adjust the pH values [acidity] to what the consumer wants," he adds.

NWS intends to exploit its new-found expertise elsewhere in Europe. Next spring the company is scheduled to tow a 10m bag across the North Sea from the Sonje fjord to Rotterdam as a demonstration. In the Dutch port, a new company, Water Bedrift Europoort, will sell the contents to locals eager to taste pure mountain water.

Mr Halvorsen says plastic vessels can do the job at less than half the price of a commercial tanker. "A bag containing 60,000 tonnes could be delivered to London Bridge for £100,000 (£6,570)," he said, "although smaller volumes may cost up to £10,000."

Prices will vary according to volumes delivered and the distance travelled.

NWS's backers include Norwegian companies Statoil and Oslo Energ, and the company is aiming for a local stock market listing next year.

Although the idea of seaborne waterbags has existed for centuries, the real challenge has been in creating a vessel able to withstand 12m waves, and the Norwegians believe their patented welding system has helped them achieve it.

If so, the concept could soon provide a rapid, high-volume solution to the often chronic water shortages afflicting countries not just in the Mediterranean but in north-west Europe.

Worth Watching • Vanessa Houlder



78385193; e-mail: Kambadur@agresearch.cri.nz

A better test for bacteria

The search for better ways of testing for bacteria in drinking water is intensifying, following several public health scares.

The University of Ghent is developing a new testing technique on behalf of Chemunex, the French biotechnology group, and the Flemish Centre for Water Research, which aims to be faster and more sensitive than existing methods. These usually involve growing a microbial culture on agar plates, which can take several days.

The approach taken by the Ghent researchers uses enzymes to mark individual cells with fluorescent labels which can then be detected using ChemScan, a laser scanning system developed by Chemunex. This promises to be a highly sensitive test because it can detect damaged cells that would be missed by traditional culture techniques.

As the test does not require an incubation period, it would allow laboratories to conduct same-day testing. Chemunex: France, tel 14396200; fax 14396015

Laser light on cell structures

A handheld laser device that can instantly extract information about blood cells could become a fast, ultra-sensitive means of detecting ailments such as sickle-cell anaemia, cancer and AIDS.

The device, called a biocavity laser, can detect minute changes in cell structure. It works by inserting blood samples into the laser itself to become part of the laser generation process.

The blood cells modify the laser light, which can then be analysed in a spectrometer to detect changes in cell sizes and shapes.

The laser has been patented by scientists at the Sandia National Laboratories and the National Institutes of Health.

Sandia National Laboratories: US, tel 5033445800; http://www.sandia.gov

An Icelandic gene-hunting company, set up to exploit the extraordinary homogeneity of the island's Viking population, reports its first success this week in the journal *Nature Genetics*.

Researchers from DeCode Genetics have tracked the gene for "familial essential tremor" down to a small area of chromosome 3. FET is an inherited shakiness of the limbs, which becomes worse with age; it is the most common neurological movement disorder, affecting 5-10 per cent of elderly people.

The research team led by Kari Stefansson, the company's president, expects very soon to find the gene itself. That would lead immediately to a new under-

Tremor gene tracked down

standing of FET and perhaps later to effective treatments. People suffering from other movement disorders, including Parkinson's Disease, might benefit too.

DeCode - Iceland's first biotechnology company - is discussing possible collaboration with an unspecified pharmaceutical group to exploit its FET research.

At present, the cause of FET is unknown and there are no drugs to slow its progression, though brain surgery or electronic implants can help.

It took just three months from

starting the project to locate the FET gene on chromosome 3. Dr Stefansson says, "In that time we had to recruit patients, examine them, collect DNA and analyse it.

"One reason why we could work so quickly is that the Icelandic community is very tight-knit, well educated and happy to co-operate in genetic studies," he says. About 150 people from 16 families took part in the FET study.

Other advantages include Iceland's national computer database covering the genealogy of the whole population over sev-

eral centuries, and its excellent healthcare system which helps researchers to track the progression of disease. But the biggest competitive advantage for DeCode over gene-hunting companies elsewhere is the genetic homogeneity of Iceland.

The present population descended from Vikings who settled the island 1,100 years ago, and there is very little genetic variation among modern Icelanders," says Dr Stefansson. For technical reasons, this makes it much easier to follow the inheri-

tance of genes through families in Iceland than in countries with more heterogeneous populations.

DeCode raised \$12m (£7m) from venture capitalists in Europe and north America, though Icelanders hold a majority stake in the company. It employs about 50 people in Reykjavik, the capital.

The company's researchers are also to the trait of genes that contribute to several complex diseases. "Our work on multiple sclerosis is going extremely well," Dr Stefansson says.

Clive Cookson

SOUTH AFRICAN RESERVE BANK

A year of economic consolidation

Extracts from address by Dr C. L. Stals, Governor of the South African Reserve Bank, at the seventy-seventh Ordinary General Meeting of shareholders of the Bank on 26 August 1997



Better equilibrium in the balance of payments
The salutary effects on the balance of payments of slower growth in total domestic expenditure are clearly reflected in the rapid decline in the deficit of the current account. On a seasonally adjusted and quarterly basis, the current account deficit declined from R3.5 billion in the second quarter of 1996 to only

R1.67 billion in the first half of 1997. The improvement in the current account was supported by a larger net inflow of funds reflected in the capital account of the balance of payments.

The pressure on the exchange rate of the rand which continued from February to October 1996, subsided again after October, almost as suddenly as it had appeared. During the first three quarters of 1997, the net capital inflow amounted to only R595 million, but this was followed by a net inflow of R3.2 billion in the fourth quarter and by no less than

R16.7 billion in the first half of 1997.

After the rand had depreciated by as much as

25.3 per cent in nominal terms between 1996 and the end of October 1996, it appreciated by 10.4 per cent over the next five months. From the end of July 1997, however, the rand depreciated again by 3.6 per cent to just a net increase of 6.0 per cent in the external value of the currency from November 1996 to the end of July 1997. It should be noted, however, that the average level of the exchange rate of the rand over the first seven months of 1997, compared with its average value over the same period in 1996, showed a depreciation in nominal terms of 8.3 per cent.

The country's gross foreign reserves held by the consolidated banking sector increased by R17.2 billion over the past three quarters to reach a level of R31.1 billion at the end of June 1997. This was sufficient to cover about 9½ weeks of imports of goods and services.

Monetary aggregates slow to respond

Over the past two years, the Reserve Bank has on various occasions advanced reasons why changes in the M3 money supply may have lost some of its usefulness as a reliable anchor for monetary policy. At the juncture, the Bank regards changes in M3 only as one among several important financial indicators. More recently, the Bank has become more concerned about the excessive increase in domestic bank credit extension, not only because of its influence on the money supply, but also for other reasons. There has, for example, been growing anxiety about the over-extension of the private sector's indebtedness relative to disposable income and the increasing vulnerability of the banking sector to adverse developments in a possibly less favourable future macroeconomic environment.

The relationship between the money supply and nominal production, or the velocity of circulation of M3, may be changing but new relationships are being established in the process of transformation. Over the longer term, it remains true that inflation cannot be sustained indefinitely unless it is fuelled by continuous excessive money creation.

Throughout 1996, the annual rate of increase in the M3 money supply fluctuated within a narrow range of between 13.6 and 16.1 per cent. By January 1997 it reached a peak of 16.5 per cent, and then declined gradually to 12.7 per cent in June 1997.

Gross domestic expenditure, on the other hand, remained fairly depressed. An estimated annual decline in total expenditure in the first half of 1997 contributed to the continued process of creating a better balance between total domestic production and effective demand. During the second quarter of 1997 there was, however, a noticeable recovery in demand when total gross domestic expenditure expanded again by 2 per cent, after having declined by 1 per cent in the first quarter.

The pattern of developments in real economic activity over the past twelve months can best be described as the outcome of a necessary process of consolidation after three years of positive growth. The rate of expansion in gross domestic product reached a reasonably adjusted and annualised rate of 3½ per cent in the second half of 1996, but then slowed down to only 1 per cent in the first half of 1997, indicating a lower rate of growth for the full calendar year of 1997 compared with that experienced during any one of the past two years.

During the first quarter of 1997, total gross domestic product actually declined by 1 per cent, setting off a chain of a pending recession. During the second quarter, however, there was a distinct recovery when overall economic activity again turned to positive growth, equal to an annualised rate of 2½ per cent.

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The increase in M3 has now consistently exceeded the rate of growth in the nominal value of gross domestic product for more than three years, with the result that the ratio of the total amount of money to the nominal value of output has risen to 58 per cent which is the highest level since 1974. A lack of availability of money can therefore easily be advanced as a reason for the slowdown in real economic activity over the past eighteen months.

Total credit extended to the private sector likewise continued to increase at a high rate throughout 1996, and fluctuated between a peak of 18.9 per cent in July and a low of 16.1 per cent over the twelve months up to June.

In the present situation, the Reserve Bank feels that a cautious monetary policy stance remains justified. This has been the approach throughout the past year and undoubtedly has had a major influence on developments in the money market. The shortage of funds in this market, as reflected by the amount of accommodation required by banks, has increased. Reserve Bank accommodation increased from a daily average of R4.9 billion in January 1996 to R1.6 billion in March 1997, before it declined to R1.3 billion in July 1997.

The Reserve Bank raised its lending rate to banking institutions, the bank rate, from 15 per cent at the end of 1995 to 16 per cent in April 1996, and then declined only marginally to 16.3 per cent over the twelve months up to June.

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The sharply inverted shape of the yield curve in South Africa makes the comparison of the level of local interest rates with the international markets more difficult. At the long end of the spectrum, the yield on long-term Government bonds in South Africa seems to be on the low side in real terms. Short-term interest rates, and particularly bank lending rates, at the other end of the yield curve, seem to be in South Africa reflecting negative expectations on inflation. High rates involved may be more short-term lending to an already overborrowed community, and a relatively high demand for

lending by the Reserve Bank.

Movements in the consumer price index followed a similar pattern and the increase in consumer prices, measured over twelve months, rose from 5.5 per cent in April 1996 to 9.9 per cent in April 1997, before declining to 8.5 per cent in June 1997.

At this stage, the international market imperative requires of South Africa to bring its rate of inflation gradually in line with the rest of the world. Alternatively, the country's drive towards greater participation as an important borrower of funds in the world financial markets will be constrained.

Financial market reforms pay dividends

The major reforms in South Africa's financial markets over the past few years paid good dividends in the form of substantial increases in the volume of business done through these various markets. Structural improvements introduced by the Johannesburg Stock Exchange, the Bond Exchange of South Africa, and the South African Futures Exchange (SAFEX), were also boosted by the further introduction of exchange controls.

The importance of the formal capital markets for the economic development of South Africa can be clearly illustrated by two basic statistics. Firstly, over the eight years from the beginning of 1990 to the end of 1997, the amount of new funds raised through issues on the Stock Exchange and net issues of fixed interest-bearing securities in the primary bond market amounted to approximately R50 billion. Secondly, over the same period, net purchases by non-residents of South African securities listed on the exchanges amounted to about R33 billion.

Supportive fiscal policies

The Minister of Finance applied further disciplines in his Budget proposals for 1997/98 with a commitment to reduce both government disaving and net foreign borrowing during the current fiscal year. In this regard, the budget deficit for 1997/98 was equal to 3.1 per cent, and the budget deficit equal to 3.6 per cent of gross domestic product. The deficit for the current fiscal year is expected to be reduced to 4.0 per cent of gross domestic product.

The Government also made an important contribution to the official foreign reserves of the country by way of two bond issues in international capital markets during 1997. The total proceeds of these two bonds amounted to R3.8 billion.

The better harmonisation of monetary and fiscal policies over the objective of restoring overall financial stability after the foreign exchange market disruption of February last year.

Financial co-operation in Southern Africa

The Committee of Governors of the Central Banks of the twelve members of the Southern African Development Community (SADC) met twice during the past twelve months to discuss matters of financial co-operation. The Secretariat of the Committee within the Reserve Bank has made good progress in the compilation of a computerised data base of financial statistics of the

Japanese
bond yield
lip below

FINANCIAL TIMES THURSDAY AUGUST 28 1997

CURRENCIES AND MONEY

Mr Yen lends the dollar a hand

MARKETS REPORT

By Simon Kuper

The dollar crept nearer the top of its perceived band against the yen yesterday, as Japan's economic gloom grew.

The dollar rose 0.4 to close in London at Y118.9 to the yen. Most traders think Tokyo aims to keep the dollar between Y110 and Y120. That belief has been the main force holding back the dollar recently, since traders are as bullish about the US economy as they are bearish about Japan's.

But Philippe Malmgren, currency strategist at Bankers Trust in London, said she had understood from Tokyo officials at the ministry of finance and other departments that they would not mind the dollar rising above Y120 to the yen. If true, that upsets the market orthodoxy.

Japan's economic gloom

grew yesterday after Eisuke Sakakibara, vice finance minister for international affairs, told the Financial Times: "I am more concerned about the economy than I was two months ago."

Mr Sakakibara, known to

traders as Mr Yen for his power to move the currency, had driven the dollar down almost vertically in April and May, largely by hinting that Japan would raise interest rates to restrain its economy. But yesterday he said the economy had been hit harder by a rise in consumption tax than had been expected. Michael Burke, senior economist at Citibank in London, said: "Japanese policymakers are much less confident than they were, and with reason."

■ **PEW IN NEW YORK**

Aug 27 - Lastest - Prev. day

8 spot 1,5125 1,5105

1 month 1,5103 1,5093

3 mth 1,5082 1,5064

1 yr 1,5088 1,5060

With no prospects of an imminent rate rise, the yield on Japan's 10-year government bond temporarily fell below 2 per cent for the first time yesterday. The stock market dropped on Mr Sakakibara's comments.

Better than expected UK trade figures for June had little impact on the market. Paul Lambert, senior currency economist at UBS in London, said the pound rose because it bounced off strong support around DM2.8850 to the D-Mark. The pound climbed 1.3 pence to DM2.917 against the D-Mark, dragging the dollar up 0.9 pence to DM1.810.

■ Ms Malmgren, who is in close touch with government officials in the US and Japan, has a lot to report. She says firstly that Japanese officials are not seeking to keep the dollar below Y120 to the yen. She thinks this means they would be happy to see the US cur-

rency rise to at least Y125. She has also talked to US government trade officials and members of the House ways and means committee. She says they are not worried about the growing US trade deficit with Japan. As she points out, little of the US economy consists of tradable goods, and the country is booming at the moment and content to export eco-

nomic growth to Japan. If the US is indeed unconcerned about the deficit, that would remove another block on the dollar.

She says that the only thing that Robert Rubin, US treasury secretary, has asked from Tokyo is lower taxes. Ms Malmgren says his rationale is that if the US economy slows next year, he wants Japan's to be growing fast enough to take up the slack.

She concludes that the dollar is free to rise. Mr Sakakibara's comments yesterday may bear her out.

■ The Malaysian ringgit yesterday hit its lowest level against the dollar since it was officially floated in 1973. In late European trading it was at M\$2.8335/85 to the US dollar, down from M\$2.7850 late on Tuesday.

Asian currencies have been falling since May. Malaysia's stock market is sliding, and the country's current account deficit is expected to surge. David Simmonds, emerging markets economist at Citibank in London, said that yesterday's sharp fall in the Indonesian rupiah, and the continued slide in the Thai baht, meant that the ringgit had to fall if Malaysian exports were to compete with those of neighbouring countries.

He said Asian central banks could no longer defend particular levels for their currencies, as earlier interest rate rises and attempts to talk currencies higher had had little impact. Now they must "allow these currencies to find a level and let the economic fundamentals do the talking".

■ **POUND SPOT FORWARD AGAINST THE POUND**

Aug 27 Casing Change Bid/ask spread Day's Mid low Day's Mid high One month One year %PA

Three months One year %PA Eng. Index

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COMMODITIES AND AGRICULTURE

LME takes heat out of aluminium squeeze

By Kenneth Gooding,
Mining Correspondent

The London Metal Exchange board yesterday took strong action to ease the technical squeeze in its aluminium market. The move had an immediate impact on aluminium prices and traders suggested it might also act as a warning to those behind a squeeze rapidly developing in the LME's zinc market.

Voisey's Bay delay likely

By Kenneth Gooding,
Mining Correspondent

It is now likely that the US\$1.4bn Voisey's Bay project in Labrador, destined to be the world's biggest and lowest-cost nickel producer, will be delayed by a year from the target start-up in late 1999.

Incoco, the Canadian group that already is the biggest nickel producer, was ordered on Tuesday by a Newfoundland court of appeal to stop construction work on a road and airstrip at the Voisey's Bay mine site.

The court's decision will mean a loss of several weeks work in the Labrador construction season, which is very short because of the extreme weather conditions. Incoco, however, was still holding out some hope that it could meet its schedule of producing concentrate - an intermediate material - in 1999 and refined nickel late in 2000.

"It is still technically possible to meet the deadline," said David Allen, Incoco's spokesperson. "But it depends on the dates of further court hearings, the length of those hearings and, above all, on the weather in Labrador."

Mr Michael Sopko, Incoco chairman, pointed out in June that start-up would be delayed by a year if the

To take the heat out of the aluminium squeeze, the exchange imposed limits on the cost of carrying forward a short position for one day - known as the daily backwardation. This cost jumped to \$40 a tonne on Tuesday.

David King, chief executive, announced the new limits before trading started. Daily backwardation is limited to \$20 a tonne until September 3, then to \$10 until September 5, and then to \$5 a tonne.

The daily backwardation fell to \$10 when trading started. Also, the premium for aluminium for immediate delivery, compared with metal for three-month delivery, which had been nearly \$100 a tonne, dropped to \$35 a tonne.

Mr King said the confidential nature of the information on which the LME had acted prevented it from explaining why the limit was imposed. Next year, however, there would be more

information made available about large positions in the LME's markets and this would put participants in a better position to take appropriate action.

The LME's move was generally welcomed by traders, who said it had come as no surprise because the exchange authorities always seemed particularly concerned when the daily backwardation in any of its markets became excessive.

"Any intense squeeze wreaks havoc on the hedging programmes that genuine market users might have set up months before," said Robin Bhar, analyst at Brandeis (Brokers), the trading arm of Pechiney of France. "The LME should look after genuine users of its markets. Squeezers know they run the risk that the LME authorities will intervene."

Traders said the LME should now intervene in the zinc market,

where the premium for immediate delivery, compared with three-month zinc, was \$200 a tonne yesterday, close to a record level. So far, however, there is no daily backwardation in the zinc market and extreme tightness in the market will not be felt until the middle of September, analysts said.

The LME's Mr King said: "Every market situation is unique but we continue to monitor the zinc market carefully."

Seasonal buying lifts lead prices

MARKETS REPORT

By Kenneth Gooding
and Gary Mead

On the London Metal Exchange, while aluminium took nearly all the attention and most other metals remained in familiar trading ranges, lead prices moved up sharply. Traders said trade and fund buying ahead of the season of peak demand from battery makers pushed lead for three-month delivery to \$653 a tonne before profit-taking saw it ease back to close at \$651, up \$9 a tonne.

William Adams, analyst at Rudolf Wolff, said lead could probably move up to \$670s but it would meet technical resistance between \$656 and \$656.

Three-month copper ended up \$2 at \$2,188 a tonne. The premium for immediate delivery, compared with three-month metal, was \$15 to \$20 a tonne.

Trading in soft commodity futures on Tiff was thin, with neither coffee nor cocoa able to break out of the current lacklustre mood.

The November contract for coffee closed \$1 higher at \$1,559 a tonne, having peaked at \$1,563 a tonne. Much of the day was focused on traders rolling forward September positions, but the contract was boosted slightly by a growing consensus that the Brazilian crop will be lower than anticipated.

Cocoa also ended firmer, with the benchmark December contract up \$5 to \$1,120 a tonne, helped by news from Malaysia that the October crop may be poor, due to drought. But the market was uncertain which way to move, as other news suggested that Ivory Coast - the world's biggest producer of cocoa beans - might after all achieve a record crop.

Gary Mead

Poor crop threatens apple growers



Ashley Ashwood

Not so rosy: late frosts and hailstorms have severely damaged this year's UK apple crop

It may have been a blazing August, but England's fruit farmers are likely to be much more hot and bothered come the winter - when some of them may be facing bankruptcy.

Abnormal weather conditions earlier this year have conspired to produce what is shaping up to be the smallest crop of apples since 1934, according to English Apples & Pears, a promotional organisation working for English fruit growers.

The English apple crop is likely to be between 50 and 60 per cent lower than normal, according to Mike Upton, chief executive of English Fruit, co-operative of 300 fruit farmers. On the most gloomy assessment the total apple harvest - primarily Bramleyes and Coxes - could be as low as 120,000 tonnes, against 300,000 tonnes in a typical year.

"There are three factors behind this disaster," added Mr Upton, who has twice written to Jack Cunningham, minister of agriculture, to seek government help. "The first was a severe frost on April 20. Next there was another late frost in May. And finally hailstorms in the summer have blown lots of fruit from the trees. All this was aggravated by the fact we had a particularly early spring, which meant the trees blossomed much earlier than usual."

The financial impact on farmers is difficult to gauge as yet, not least because picking of the leading growers and supermarkets now expect much greater imports: the current strength of sterling means continental European and north American apple exporters are keenly competitive in terms of price. About 20 per cent of all fruit on sale on UK high streets is domestically produced.

The financial impact on farmers is difficult to gauge as yet, not least because picking of the leading

English dessert apple, the Cox, will not begin in earnest until September 15.

But Mr Upton is unhappy certain that "some growers will not survive, particularly those who have not diversified into other products".

The overall impact hides a wide range of damage; as the frosts were highly localised, some orchards have seen their crop wiped out, while others have been left almost unscathed. Also, the very low crop this year follows a lower than average harvest of 240,000 tonnes last year.

Mr Upton first wrote to Mr Cunningham to seek help in June, when it became clear that the harsher might he seriously damaged. Mr Cunningham replied, saying MAFF officials would consider what might be done and would also seek EU assistance. Two weeks ago Mr Upton wrote again to Mr Cunningham: as yet he has not received a reply.

English Apples & Pears says that while the overall crop will be down, the flavour of the surviving apples will be unaffected by the frosts. Some consumers, it added, may find that the

BASE METALS

LONDON METAL EXCHANGE

Prices from Amalgamated Metal Trading

■ ALUMINIUM, 99.7% purity (\$ per tonne)

Cash	3 mths	1,652.85	1,657.58
Close	1,652.85	1,657.58	
Previous	1,780.85	1,653.50	
High/Low	1,670.16/16	1,650.22	
AM Official	1,650.02	1,641.81	
Kerb close	1,651.02		
Open int.	251,707		
Total daily turnover	103,934		

■ LEAD (\$ per tonne)

Cash	523.5-33.5	643.44
Previous	628.5-59.5	638.6
High/Low	630.5-60.5	638.6
AM Official	632.2-5	642.3
Kerb close	630.51	
Open int.	5,179	
Total daily turnover	13,122	

■ NICKEL (\$ per tonne)

Cash	649.5-505	650.4-52
Previous	654.5-55	649.5-50
High/Low	650.5-50	650.5-50
AM Official	646.5-70	655.45-45
Kerb close	646.5-70	
Open int.	54,690	
Total daily turnover	20,163	

■ TIN (\$ per tonne)

Cash	530.8-400	544.0-415
Previous	542.0-30	548.5-475
High/Low	540.0-400	545.40-475
AM Official	539.6-400	543.40-475
Kerb close	540.0-30	
Open int.	54,516	
Total daily turnover	4,489	

■ ZINC, special high grade (\$ per tonne)

Cash	1,692.95	1,700.08
Previous	1,685.88	1,698.60
High/Low	1,700.05/16	1,697.14/1493
AM Official	1,695.6	1,697.8
Kerb close	1,695.14	
Open int.	87,888	
Total daily turnover	38,247	

■ COPPER, grade A (\$ per tonne)

Cash	2,195.98	2,178.5-75.5
Previous	2,213.8	2,185.5
High/Low	2,193.0	2,180.0/75
AM Official	2,193.0	2,185.5-85.5
Kerb close	2,185.5-85.5	
Open int.	137,457	
Total daily turnover	45,468	

■ LME AM Official 3/8 rate: 1,8078

LME Closing 3/8 rate: 1,6115

Spot 1/8 rate: 1,6248 5/8 rate: 1,6295 6/8 rate: 1,6240

■ HIGH GRADE COPPER (COMEX)

Cash	2,195.98	2,178.5-75.5
Previous	2,213.8	2,185.5
High/Low	2,193.0	2,180.0/75
AM Official	2,193.0	2,185.5-85.5
Kerb close	2,185.5-85.5	
Open int.	137,457	
Total daily turnover	45,468	

■ PRECIOUS METALS

■ LONDON BULLION MARKET

Prices supplied by N M Rothschild

Gold (Troy oz) \$ price £/equivalent

Cash	324.50-23.00	
Opening	325.20-23.50	
Morning fix	325.30	202.23/48.372
Afternoon fix	324.75	201.24/48.498
Day's High	325.55-32.55	
Day's Low	324.25-32.45	
Previous close	325.00-32.50	
Local Ldn Mean Gold Lending Rates (Vs £/oz)	3.34 6 months	3.37
1 month	3.36 12 months	3.53
3 months	3.37	

Silver Fix

p/troy oz, US \$/troy oz

Aug 97	0.41	0.39
Sept 97	0.40	0.39
Oct 97	0.39	0.38
Nov 97	0.38	0.37
Dec 97	0.37	0.36
Jan 98	0.36	0.35
Feb 98	0.35	0.34
Mar 98	0.34	0.33
Apr 98	0.33	0.32
May 98	0.32	0.31
Jun 98	0.31	0.30
Jul 98	0.30	0.29
Aug 98	0.29	0.28
Sept 98	0.28	0.27
Oct 98	0.27	0.26
Nov 98	0.26	0.25
Dec 98	0.25	0.24
Jan 99	0.24	0.23
Feb 99	0.23	0.22
Mar 99	0.22	0.21
Apr 99	0.21	0.20
May 99	0.20	0.19
Jun 99	0.19	0.18
Jul 99	0.18	0.17
Aug 99	0.17	0.16
Sept 99	0.16	0.15
Oct 99	0.15	0.14
Nov 99	0.14	0.13
Dec 99	0.13	0.12
Jan 00	0.12	0.11
Feb 00	0.11	0.10
Mar 00	0.10	0.09
Apr 00	0.09	0.08
May 00	0.08	0.07
Jun 00	0.07	0.06
Jul 00	0.06	0.05
Aug 00	0.05	0.04
Sept 00	0.04	0.03
Oct 00	0.03	0.02
Nov 00	0.02	0.01
Dec 00	0.01	0.00

Gold (Grams)

5 price £/equivalent

OFFSHORE AND OVERSEAS

• FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4878 for more details.

BERMUDA
(SIS RECOGNISED)

Intake Setting Steps Prior Period

BERMUDA
REGGAE AT DAWN

REGULATED BY

GUERNSEY (IS RECOGNISED)

With Return Shipping
Price Price

Franklin Bond Fund	\$17,75	10,63
Franklin Fund	\$27,39	26,79
Franklin Fund	\$15,51	18,38
Franklin Fund	\$40,50	43,07
Franklin Small Companies Fund	\$28,24	32,75
Franklin Small Companies Fund	\$60,43	66,38
Franklin Small Companies Fund	\$29,72	34,26

Spurred Sandpiper	5-6	101.72	21.17
Spurred Sandpiper	5-6	117.14	18.12
Spurred Sandpiper	5-6	102.80	14.74
Spurred Sandpiper	5-6	102.80	14.74

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19470.000
19474.015
19476.000
19478.000
19481.022
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1960-1961 F - 0 57101,418
1961-1962 F - 0 540,001

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59200.18
595.100

FT MANAGED FUNDS SERVICE

Offshore Funds

FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances

• FT Cityline Unit Trust: Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

• FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE										WORLD STOCK MARKETS									
AUSTRIA (Aug 27 / Stk)	1,167.50	1,165.45	1,155.10	1,152.10	1,151.20	1,149.00	1,148.00	1,147.00	1,146.00	1,145.00	1,144.00	1,143.00	1,142.00	1,141.00	1,140.00	1,139.00	1,138.00	1,137.00	1,136.00
Belgium (Aug 27 / Stk)	1,161.50	1,159.50	1,157.00	1,156.00	1,155.00	1,154.00	1,153.00	1,152.00	1,151.00	1,150.00	1,149.00	1,148.00	1,147.00	1,146.00	1,145.00	1,144.00	1,143.00	1,142.00	1,141.00
Denmark (Aug 27 / Stk)	1,161.50	1,159.50	1,157.00	1,156.00	1,155.00	1,154.00	1,153.00	1,152.00	1,151.00	1,150.00	1,149.00	1,148.00	1,147.00	1,146.00	1,145.00	1,144.00	1,143.00	1,142.00	1,141.00
Finland (Aug 27 / Stk)	1,161.50	1,159.50	1,157.00	1,156.00	1,155.00	1,154.00	1,153.00	1,152.00	1,151.00	1,150.00	1,149.00	1,148.00	1,147.00	1,146.00	1,145.00	1,144.00	1,143.00	1,142.00	1,141.00
France (Aug 27 / Frs)	1,161.50	1,159.50	1,157.00	1,156.00	1,155.00	1,154.00	1,153.00	1,152.00	1,151.00	1,150.00	1,149.00	1,148.00	1,147.00	1,146.00	1,145.00	1,144.00	1,143.00	1,142.00	1,141.00
Germany (Aug 27 / Dm)	1,161.50	1,159.50	1,157.00	1,156.00	1,155.00	1,154.00	1,153.00	1,152.00	1,151.00	1,150.00	1,149.00	1,148.00	1,147.00	1,146.00	1,145.00	1,144.00	1,143.00	1,142.00	1,141.00
Iceland (Aug 27 / Isk)	1,161.50	1,159.50	1,157.00	1,156.00	1,155.00	1,154.00	1,153.00	1,152.00	1,151.00	1,150.00	1,149.00	1,148.00	1,147.00	1,146.00	1,145.00	1,144.00	1,143.00	1,142.00	1,141.00
Ireland (Aug 27 / Irl)	1,161.50	1,159.50	1,157.00	1,156.00	1,155.00	1,154.00	1,153.00	1,152.00	1,151.00	1,150.00	1,149.00	1,148.00	1,147.00	1,146.00	1,145.00	1,144.00	1,143.00	1,142.00	1,141.00
Iceland (Aug 27 / Krona)	1,161.50	1,159.50	1,157.00	1,156.00	1,155.00	1,154.00	1,153.00	1,152.00	1,151.00	1,150.00	1,149.00	1,148.00	1,147.00	1,146.00	1,145.00	1,144.00	1,143.00	1,142.00	1,141.00
Portugal (Aug 27 / Esc)	1,161.50	1,159.50	1,157.00	1,156.00	1,155.00	1,154.00	1,153.00	1,152.00	1,151.00	1,150.00	1,149.00	1,148.00	1,147.00	1,146.00	1,145.00	1,144.00	1,143.00	1,142.00	1,141.00
Spain (Aug 27 / Pes)	1,161.50	1,159.50	1,157.00	1,156.00	1,155.00	1,154.00	1,153.00	1,152.00	1,151.00	1,150.00	1,149.00	1,148.00	1,147.00	1,146.00	1,145.00	1,144.00	1,143.00	1,142.00	1,141.00
Sweden (Aug 27 / Kr)	1,161.50	1,159.50	1,157.00	1,156.00	1,155.00	1,154.00	1,153.00	1,152.00	1,151.00	1,150.00	1,149.00	1,148.00	1,147.00	1,146.00	1,145.00	1,144.00	1,143.00	1,142.00	1,141.00
Switzerland (Aug 27 / Frs)	1,161.50	1,159.50	1,157.00	1,156.00	1,155.00	1,154.00	1,153.00	1,152.00	1,151.00	1,150.00	1,149.00	1,148.00	1,147.00	1,146.00	1,145.00	1,144.00	1,143.00	1,142.00	1,141.00
UK (Aug 27 / Pounds)	1,161.50	1,159.50	1,157.00	1,156.00	1,155.00	1,154.00	1,153.00	1,152.00	1,151.00	1,150.00	1,149.00	1,148.00	1,147.00	1,146.00	1,145.00	1,144.00	1,143.00	1,142.00	1,141.00
Yugoslavia (Aug 27 / Dinar)	1,161.50	1,159.50	1,157.00	1,156.00	1,155.00	1,154.00	1,153.00	1,152.00	1,151.00	1,150.00	1,149.00	1,148.00	1,147.00	1,146.00	1,145.00	1,144.00	1,143.00	1,142.00	1,141.00
EUROPE	1,161.50	1,159.50	1,157.00	1,156.00	1,155.00	1,154.00	1,153.00	1,152.00	1,151.00	1,150.00	1,149.00	1,148.00	1,147.00	1,146.00	1,145.00	1,144.00	1,143.00	1,142.00	1,141.00
WORLD STOCK MARKETS	1,161.50	1,159.50	1,157.00	1,156.00	1,155.00	1,154.00	1,153.00	1,152.00	1,151.00	1,150.00	1,149.00	1,148.00	1,147.00	1,146.00	1,145.00	1,144.00	1,143.00	1,142.00	1,141.00

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EUROPE										WORLD STOCK MARKETS									
AUSTRIA (Aug 27 / Stk)	1,161.50	1,159.50	1,157.00	1,156.00	1,155.00	1,154.00	1,153.00	1,152.00	1,151.00	1,150.00	1,149.00	1,148.00	1,147.00	1,146.00	1,145.00	1,144.00	1,143.00	1,142.00	1,141.00
Belgium (Aug 27 / Stk)	1,161.50	1,159.50	1,157.00	1,156.00	1,155.00	1,154.00	1,153.00	1,152.00	1,151.00	1,150.00	1,149.00	1,148.00	1,147.00	1,146.00	1,145.00	1,144.00	1,143.00	1,142.00	1,141.00
Denmark (Aug 27 / Stk)	1,161.50	1,159.50	1,157.00	1,156.00	1,155.00	1,154.00	1,153.00	1,152.00	1,151.00	1,150.00	1,149.00	1,148.00	1,147.00	1,146.00	1,145.00	1,144.00	1,143.00	1,142.00	1,141.00
Finland (Aug 27 / Stk)	1,161.50	1,159.50	1,157.00	1,156.00	1,155.00	1,154.00	1,153.00	1,152.00	1,151.00	1,150.00	1,149.00	1,148.00	1,147.00	1,146.00	1,145.00	1,144.00	1,143.00	1,142.00	1,141.00
France (Aug 27 / Frs)	1,161.50	1,159.50	1,157.00	1,156.00	1,155.00	1,154.00	1,153.00	1,152.00	1,151.00	1,150.00	1,149.00	1,148.00	1,147.00	1,146.00	1,145.00	1,144.00	1,143.00	1,142.00	1,141.00
Germany (Aug 27 / Dm)	1,161.50	1,159.50	1,157.00	1,156.00	1,155.00	1,154.00	1,153.00	1,152.00	1,151.00	1,150.00	1,149.00	1,148.00	1,147.00	1,146.00	1,145.00	1,144.00	1,143.00	1,142.00	1,141.00
Iceland (Aug 27 / Krona)	1,161.50	1,159.50	1,157.00	1,156.00	1,155.00	1,154.00	1,153.00	1,152.00	1,151.00	1,150.00	1,149.00	1,148.00	1,147.00	1,146.00	1,145.00	1,144.00	1,143.00	1,142.00	1,141.00
Portugal (Aug 27 / Esc)	1,161.50	1,159.50	1,157.00	1,156.00	1,155.00	1,154.00	1,153.00	1,152.00	1,151.00	1,150.00	1,149.00	1,148.00							

NEW YORK STOCK EXCHANGE PRICES

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NYSE PRICES

Stock	IV	St	High	Low	Close	Chg	Stock	IV	St	High	Low	Close	Chg	Stock	IV	St	High	Low	Close	Chg									
Continued from previous page																													
525 123 Daimler	12	33	32	32	32	-1	515 225 Taiwan Fd	1.24	2.3	2.1	2.0	2.0	-1	507 165 Low Stock	2.14	5.8	13	4.95	3.61	-1	508 165 Low Stock	2.14	5.8	13	4.95	3.61	-1		
526 123 Daimler	1.78	1.5	1.5	1.5	1.5	-1	516 114 Taiwan	0.01	2.3	1.44	2.0	2.0	-1	509 165 Low Stock	2.14	5.8	13	4.95	3.61	-1	510 165 Low Stock	2.14	5.8	13	4.95	3.61	-1		
527 145 Schenker	35	35	35	35	35	-1	517 114 Taiwan	4	4	4	4	4	-1	511 165 US Wind	3014478	62	62	62	62	62	-1	512 165 US Wind	3014478	62	62	62	62	62	-1
528 145 Schenker	3.02	1.8	1.8	1.8	1.8	-1	513 165 Taiwan	0.02	1.2	0.2	0.2	0.2	-1	514 165 US Wind	94915	354	354	354	354	354	-1	515 165 US Wind	94915	354	354	354	354	-1	
529 145 Schenker	3.02	1.8	1.8	1.8	1.8	-1	516 165 Taiwan	0.02	0.09	0.09	0.09	0.09	-1	517 165 US Wind	0.02	0.09	0.09	0.09	0.09	-1	518 165 US Wind	0.02	0.09	0.09	0.09	0.09	-1		
530 145 Schenker	1.81	1.2	1.2	1.2	1.2	-1	519 165 Taiwan	0.02	1.4	0.95	1.2	1.2	-1	520 165 Taiwan	1.78	1.78	1.78	1.78	1.78	-1	521 165 Taiwan	1.78	1.78	1.78	1.78	1.78	-1		
531 145 Schenker	0.2	0.2	0.2	0.2	0.2	-1	522 165 Taiwan	1.41	1.2	1.2	1.2	1.2	-1	523 165 Taiwan	1.78	1.78	1.78	1.78	1.78	-1	524 165 Taiwan	1.78	1.78	1.78	1.78	1.78	-1		
532 145 Schenker	24	24	24	24	24	-1	525 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	526 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	527 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1		
533 145 Schenker	0.2	0.2	0.2	0.2	0.2	-1	528 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	529 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	530 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1		
531 145 Schenker	0.2	0.2	0.2	0.2	0.2	-1	532 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	533 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	534 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1		
535 145 Schenker	0.2	0.2	0.2	0.2	0.2	-1	535 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	536 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	537 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1		
538 145 Schenker	0.2	0.2	0.2	0.2	0.2	-1	539 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	540 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	541 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1		
542 145 Schenker	0.2	0.2	0.2	0.2	0.2	-1	543 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	544 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	545 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1		
546 145 Schenker	0.2	0.2	0.2	0.2	0.2	-1	547 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	548 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	549 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1		
550 145 Schenker	0.2	0.2	0.2	0.2	0.2	-1	551 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	552 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	553 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1		
554 145 Schenker	0.2	0.2	0.2	0.2	0.2	-1	555 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	556 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	557 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1		
558 145 Schenker	0.2	0.2	0.2	0.2	0.2	-1	559 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	560 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	561 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1		
562 145 Schenker	0.2	0.2	0.2	0.2	0.2	-1	563 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	564 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	565 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1		
566 145 Schenker	0.2	0.2	0.2	0.2	0.2	-1	567 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	568 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	569 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1		
570 145 Schenker	0.2	0.2	0.2	0.2	0.2	-1	571 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	572 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	573 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1		
574 145 Schenker	0.2	0.2	0.2	0.2	0.2	-1	575 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	576 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	577 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1		
578 145 Schenker	0.2	0.2	0.2	0.2	0.2	-1	579 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	580 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	581 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1		
582 145 Schenker	0.2	0.2	0.2	0.2	0.2	-1	583 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	584 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	585 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1		
586 145 Schenker	0.2	0.2	0.2	0.2	0.2	-1	587 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	588 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	589 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1		
590 145 Schenker	0.2	0.2	0.2	0.2	0.2	-1	591 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	592 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	593 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1		
594 145 Schenker	0.2	0.2	0.2	0.2	0.2	-1	595 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	596 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	597 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1		
598 145 Schenker	0.2	0.2	0.2	0.2	0.2	-1	599 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	600 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	601 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1		
602 145 Schenker	0.2	0.2	0.2	0.2	0.2	-1	603 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	604 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1	605 165 Taiwan	0.01	1.2	1.2	1.2	1.2	-1		
606 145 Schenker	0.2	0.2	0.2	0.2	0.																								

Dow extends losses Zurich calls halt to four-day slide into fifth session

AMERICAS

US stocks were weak at mid-session as the Dow Jones Industrial Average extended its pullback to a fifth straight session, writes John Lubatek in New York.

All three leading market indices were off by early afternoon, with the Dow down 50.16 at 7,732.06. The broader Standard & Poor's 500 index lost 5.42 at 907.60 while the technology-weighted Nasdaq composite index fell 4.37 at 1,586.93.

Shares in small companies were the best performers, as the Russell 2000 index gained less than one point at 419.01.

Since last week, the Dow has lost nearly 3 per cent as the index has continued to sink further below the 8,000-point level.

Drug producers were mixed in a partial recovery from a sell-off earlier in the week. Leading the way higher were Warner-Lambert up \$1 at \$127 and Abbott Laboratories, gaining \$1 at \$60. Bristol Myers Squibb lost ground, however, falling \$1.50 at \$74.75.

Tobacco company shares were mixed following the industry's \$1.5bn settlement with Florida reached earlier this week. Shares in Philip Morris traded \$4 lower at \$48 while RJR Nabisco was unchanged at \$35.10. Loews fell \$1.75 at \$97.50.

As bond yields held steady in anticipation of a Treasury auction later in the day, banking stocks moved only slightly lower. Shares in Chase Manhattan rose \$1 at \$134 but Wachovia lost \$1.50 at \$61.25 as federal regulators approved the bank's acquisition of Jefferson Bancshares.

By early afternoon the benchmark 30-year bond was up 1/2 at 96.3%, sending the yield lower to 6.631 per cent.

TORONTO slid lower at midday as the heavily weighted bank and gold sub-indices suffered and Wall Street declined. The TSE-300 composite index fell 40.18 to 6,657.72 in volume of 41.6m shares.

Eleven of Toronto's 14 sub-indices declined, led by the influential banking and gold sectors. Banks shed 1.2 per cent while the gold group was almost 1 per cent weaker.

LIMA recovered some of Tuesday's losses at mid-session as mining shares recouped part of Tuesday's 4.4 per cent tumble.

At noon, the blue chip selective index was 31.06

points or 1.1 per cent higher at 2,851.24.

The hottest stock of the day was Minera Milpo, which recouped the 10 per cent it lost on Tuesday on an unconfirmed rumour that its joint venture partner, Phelps Dodge, had pulled out of the pact.

SANTIAGO edged higher in low volumes as investors remained confident enough in Chilean companies to keep the IPSA index above 130 points. The index rose 0.1 per cent to 130.09 at mid-session. Telex-Chile gained 3.6 per cent to 870.00 pesos.

SOUTH AFRICA

South African shares ended slightly higher in nervous trade ahead of the release of a raft of economic data today. The all-share index gained 12.8 to 7,391.2 as the industrial index added 16.5 to 9,105.2. The thinly-traded gold index fell 9.2 to 1,030.7 as bullion eased slightly.

Volume was a relatively healthy R766m worth of shares as 187 stocks posted gains and 200 dropped. Optimism on lower interest rates persisted despite signals from the central bank that policy would remain tight.

Against the trend, Nestle fell 50p to 1,795 as Standard & Poor's MarketScope research group said the stock, an under-achiever during the 1990s, was likely to continue underperforming. Mr Matthew Windridge, head of research, believed Nestle's strategy was flawed and investors would be disappointed that L'Oréal and

EUROPE

The firmer dollar brought out bargain hunters in ZURICH, which called a halt to its four-day slide and the SMI index picked up 46.3 to 5,408.6.

Novartis, sharply down on Tuesday, rebounded SFr19 to SFr1,182 ahead of first-half results due today. Among financials, CS Group and Winterthur, under pressure to merge on August 11, turned higher. CS Group rose SFr5.50 to SFr1,79.50 as it confirmed an earlier statement that first-half net profit was up 9.7% to SFr1.305.

UBS, up SFr23 at SFr1,503 made a belated response to Tuesday's news that it would take over the German private bank, Schroder Muenchmeyer Hengst.

Alusuisse recovered from Tuesday's 4.6 per cent fall, which followed first-half profits figures, and rebounded SFr34 to SFr1,331.

Against the trend, Nestle fell 50p to 1,795 as Standard & Poor's MarketScope research group said the stock, an under-achiever during the 1990s, was likely to continue underperforming. Mr Matthew Windridge, head of research, believed Nestle's strategy was flawed and investors would be disappointed that L'Oréal and

FTSE Actuaries Share Indices		European series					
August 27		Exch	Days	change	Wk. %	Mo. %	Total rate
Market & Region	Index	Index	Index	points	gross %	net %	Exch
FTSE Europe 300	941.21	+1.65	+1.19	2.41	0.00	-0.00	942.49
FTSE Europe 100	2184.78	+0.55	+11.90	-	-	-	-

FTSE Eurotop 300 Regions

300 UK 955.56 +0.93 +8.46 3.40 0.00 952.48

300 E-U 802.59 +0.18 +1.73 1.84 0.00 802.85

300 Euro 802.78 +0.02 +0.19 2.02 0.00 803.20

300 E-Euro 847.32 +0.75 +7.98 2.55 0.00 851.17

FTSE Eurotop 300 Economic Sectors

Financials 937.81 +0.25 +2.44 2.26 0.00 939.29

Manufacturing 967.21 +0.23 +2.77 2.25 0.00 967.42

Consumer Goods 912.03 +0.24 +4.02 2.03 0.00 914.16

Services 947.73 +0.26 +2.34 2.09 0.00 949.27

Utilities 922.57 +0.03 +0.25 1.39 0.00 924.32

Resources 941.51 +0.50 +5.47 2.44 0.00 942.45

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year operating results from its blood plasma business. Centocor.

AMSTERDAM closed virtually unchanged after an erratic session as the market continued to fret about higher interest rates.

The ABX index added 3.89 to 907.33, off a low of 887.99 and an afternoon high of 911.94. The dollar's rebound dragged shares of their lows and kept the index above the 900 level.

BolsWeissen took a hammering after it reported first-half profits up 16 per cent but said income growth would slow over the rest of the year. The food and drinks group's shares initially plunged more than 10 per cent in active trade, but recovered some ground to end down almost 5 per cent, or F1.90 at F1.36.20.

Raisin rose sharply on news that it and the US company, Westvaco, were looking at jointly producing the sterol raw material for Raisin's cholesterol-reducing products. The food group's share added F1.20 to F1.570.

ATHENS staged a broad retreat as bank shares led the market lower on press reports that a forthcoming rights issue from National Bank would be 30-35 per cent lower than the market price of the share.

The Athens general index lost 23.97 to 1,412.66 as National Bank, a bellwether stock during this year's rally, dropped Dr1,500 to Dr34,300.

Written and edited by Michael Morgan and Greta Stein

Prague overcomes dual blows

Investor confidence in Prague is picking up after the double blows of the currency crisis in May and the severe flooding in early July, writes Greta Stein.

The PX-50 index of top stocks has risen about 17 per cent from the year's low recorded on May 22 in the midst of an attack on the Czech crown. The broader RPIX index, has risen even more sharply from its low point, putting on more than 20 per cent. At yesterday's close, the PX-50 index was down 1.2 to 357.7.

Volumes have been thin, however, and analysts have cautioned against reading too much into the summer rebound. They say sustained investor interest will only return when the government starts introducing regulatory reforms and giving the capital markets more transparency.

The PSE's performance has been lagging behind its neighbours in Hungary and Poland. This is mainly due to weak regulation and a lack of transparency which

deters foreign investors," says Vlad Sobell, senior economist at Daiwa in London. Insider dealing is rife, he says, and there are insufficient disclosure requirements and inadequate punitive powers to deal with "widespread abuse and fraud".

The creation of a US-style Securities and Exchange Commission was likely, but until it was working foreign investors would remain sceptical.

One positive factor working for the market is the forecast of a stable currency. Mr Sobell says the crown should benefit from the Czech Republic's high yields.

Electricity company CEZ has been one of the top gainers in the recent spurt, with investors viewing the share as a cheap way into the illiquid Czech market.

The other market leader, SPT Telecom, has also had a good run. CEZ closed up Kcs22 at Kcs1,120 yesterday with traders saying the share has been undervalued from a long-term perspective.

Emerging markets: IFC weekly investable price indices

Market	No. of stocks	Dollar terms		Local currency terms		Y200 to Y8,000 and TDK Y240
		Aug 22 1997	% Change over week	Aug 22 1997	% Change over week	
		Local	Local	Exch	Index	Index
Latin America	247	740.22	-1.2	+37.6	+0.2	+28.5
Argentina	30	1,221.89	+0.2	+28.5	+0.2	+28.5
Brazil	169	547.45	-3.7	+38.1	+2.23	+45.1
Chile	45	790.77	-0.9	+27.5	+1.37	+24.5
Colombia ¹	14	664.18	-0.6	+39.7	+1.81	+60.6
Mexico	63	779.79	+0.8	+47.2	+1.1	+45.6
Peru ²	17	241.59	-2.1	+22.8	+3.2	+20.0
Venezuela ³	9	1,037.49	+0.6	+42.5	+0.9	+46.5
Asia	708	208.98	-1.3	-17.5	-1.3	-17.5
China ⁴	27	115.05	+7.8	+56.1	+7.8	+55.9
South Korea ⁵	156	81.01	-3.3	+4.9	+4.9	+4.9
Philippines	42	196.32	-0.3	-33.1	-0.3	-24.2
Taiwan, China ⁶	90	196.45	-1.6	+28.2	+1.6	+33.9
India ⁷	77	101.04	-7.0	+28.3	-0.6	+29.5
Indonesia ⁸	49	97.13	+1.3	-23.9	+1.4	+59.8
Malaysia ⁹	147	221.99	-0.8	-34.1	-0.8	-27.6
Pakistan ¹⁰	22	266.30	-7.5	+37.4	+4.6	+36.8
Sri Lanka ¹¹	5	141.13	-3.4	+48.4	+1.6	+54.3
Thailand	87	114.40	-17.0	+8.3	-15.3	-31.8
Euro/Mid East	205	150.98	-2.1	+16.9	-0.6	+13.8
Czech Rep.	6	62.69	+1.6	-10.5	+1.6	+11.0
Egypt	16	96.63	+3.0	-	96.53	+3.0
Greecce	54	347.08	-3.3	+43.2	+1.7	+65.7
Hungary ¹²	12	293.38	-0.3	+51.7	+0.2	+48.4
Israel ¹³	40	127.20	-1.8	+27.2	-1.8	+38.2
Jordan	7	206.62	-0.5	+11.7	+0.5	+11.5
Morocco	5	124.76	-0.2	-	134.15	-0.1
Poland ¹⁴	31	865.75	-0.4	-6.4	-0.4	+13.8
Portugal	29</td					